



# The State of Social in ESG

ESG Global Advisors and Argyle · November 2022



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We extend our gratitude to each of the 73 organizations that participated in the research. We appreciate the time and effort they allocated to collecting the data and, where applicable, engaging with internal stakeholders to communicate the importance of social benchmarking data.

We want to thank Leger, the largest Canadian-owned polling, market research and analytics firm, for its partnership on Argyle's Public Relationship Index since 2017. The 2022 edition of the Argyle/Leger study enabled us to understand the expectations of Canadian and U.S. employees, and how they rate their employers' performance – providing an essential complement to the benchmarking data from organizations themselves.

Argyle and ESG Global Advisors would like to thank their respective staff members who led, executed, and advised on this project from conception to completion. We thank our teams for contributing their expert insights, analysis, and vital administrative support to help bring this important research to life.



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# Foreword

Business is a powerful force. It can drive prosperity for companies, communities and nations. And in the course of delivering products and services, businesses have far-reaching impacts on the environment and people. The decisions they make shape our world and our future.

Export Development Canada has been working with companies across Canada for almost 80 years. Over those decades, we have seen the business landscape continually evolve alongside changing perspectives, values and practices when it comes to environment and people. Today's world is very different from the one in which EDC started.

But in many ways, it is not different enough. The reality is there are deep-rooted challenges we continue to face as a society. Events of the past couple of years have been a stark reminder of how threatened our environment is, and of the historic injustices and systemic barriers that affect too many people and communities. Business has a critical role to play in addressing these issues.

The challenges are real and solutions are not easy. What inspires us is the desire we see from so many Canadian businesses to do better and lead change. But it will take more than good intentions to drive progress. Integrating strong ESG practices across the business landscape is critical. And while the recognition of this fact has gained momentum, gaps in knowledge stand in the way of progress.

The research in this report represents an important step forward in understanding and benchmarking social practices. It provides foundational information businesses need in order to build strategies that lead to tangible results. It is this kind of work, combined with collaboration across all sectors and stakeholders, that is needed to achieve a more sustainable and equitable world.



**Justine Hendricks**  
*Chief Corporate  
Sustainability Officer*  
**Export Development Canada**

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# Foreword

ESG Global Advisors is a trusted industry participant who has contributed and publicly shared a wealth of educational material in the areas of sustainability, thought leadership and ESG disclosure. And Argyle, as one of North America's leading corporate communications and public engagement firms, works to align organizations with the needs and expectations of investors and stakeholders.

Amidst the noise, complexity, and lack of social data currently available today, the report, "The State of Social in ESG" commendably attempts to establish a set of practical benchmarks across six key areas of social practices for organizations operating in Canada and the United States, ranging from corporate governance to Indigenous reconciliation.

Given the backdrop of the world we live in with the intricacies of several social reckonings and injustices highlighted throughout the world and in this report, this research is timely and highly relevant.

The importance of best practices around human capital management is ever increasing and evolving rapidly. The author provides ample social context behind the benchmarking criteria and results. Their efforts shed light on the current state of the social realm in business, revealing actionable insights as to where we are lagging, doing better and where the opportunities lie.

Each unique corporate citizen can take further action in the areas they believe they can have the most impact as well as to do their part. At TMX Group, an important objective for us is to support our issuers in their journeys to integrating best practices through engagement and connecting issuers to useful information, materials and educational opportunities. Collectively, we share the burden to make strides in corporate business to lift the current 'State of Social'.



**Julie Park**  
*Head of Corporate Sustainability  
and ESG Investor Relations*  
**TMX Group**



# Executive Summary

The pandemic and cultural and socio-economic reckonings that followed have ushered in a new era for the 'S' in ESG. In the wake of rapidly evolving social expectations, and in the context of an unprecedented battle for talent, management teams have strived to build more inclusive and human-centric work environments. Most organizations are adapting to the post-pandemic world by offering employees flexibility, increasing their commitments to employee health and safety, and educating their teams about diversity, equity, and inclusion (DEI) and Indigenous reconciliation. Indeed, as these practices become more widely adopted, they may be regarded as new norms that contribute to an organization's social license to operate.

There remains much work to be done for businesses to manage their exposure to social risks and opportunities, particularly those related to complex and evolving social issues including DEI, Indigenous reconciliation, and human rights.





## Key Findings and Recommendations

- 1. The rise of “S” is uneven and so is organizational performance.** While organizations have an established body of knowledge and best practices for the traditional elements of managing human capital, organizational responses to complex and quickly evolving social issues – such as DEI, human rights, and Indigenous reconciliation – are lagging. These themes represent opportunities for organizations to position themselves as leaders and drive the market forward.

**Recommendation:** Organizations seeking to lead on social issues must do so with authenticity. A thoughtful approach to social issues requires organizations to engage with internal and external communities to identify key issues and expectations for short-, medium- and long-term action. Leading organizations acknowledge that perfection is not the end objective. Rather, leaders demonstrate the courage to make progress on social issues over time, rather than waiting until best practices are defined by others.

- 2. There’s momentum behind a “social risk” lens.** Most organizations are either adopting or considering formal oversight of social risks at the top of the house via the board of directors and/or enterprise risk management frameworks. Organizations that are not adopting or exploring social risk governance may fall behind their peers while market leaders set the pace.

**Recommendation:** Leading organizations acknowledge that social issues can pose material financial risks, if not proactively identified and managed. Organizations should not wait until risk events occur as the reputational and brand impacts alone can be significant and long-lasting. Leading organizations should proactively apply a social risk lens to all strategic and operational decisions, including the allocation of capital and internal resources. A proactive approach to social risk management will enhance the resilience of companies over the long term, and avoid costly risk events by building trust with internal and external communities.



- 3. Getting the table stakes right is critical in the war for talent.** Employees assign a high level of importance to the following social issues: training and development, investments in their physical and mental well-being, and DEI commitments. These have become “table stakes” value propositions among organizations, and those who fail to adopt them are gambling with their talent.

**Recommendation:** While organizations must consider multiple audiences and issues when developing and communicating their social practices, no organization can avoid human capital issues since all organizations require people to work within them, supply them, and purchase from them. As such, talent acquisition and retention should be a primary focus. Increasing understanding of what matters to current and future employees, and integrating that knowledge into employee engagement, retention and recruitment strategies is key.

- 4. Organizations are missing opportunities for real world impact.** From Indigenous recruitment and procurement to diversity targets for management and human rights policies for supply chains, organizations are lagging the most on the actions most aligned with driving tangible social outcomes. Identifying and addressing barriers to progress in these areas is critical for organizations that want to effectively manage their exposure to social risks, tap into opportunities, and create long-term value.

**Recommendation:** Leading organizations can initiate pilot projects to build the business case for real world social impact. The findings from pilot projects can be used to scale-up investments in social practices and support the development of best practices. Leaders have an opportunity to contribute to the eventual development of global standards to communicate to stakeholders on real world impacts of social investments.

Our analysis found that while there is momentum toward more mature social practices, there are some clear gaps, for example in organizations’ propensity to act internally versus externally on issues like DEI and reconciliation. A key upshot is that the actions most aligned with driving tangible social outcomes within organizations and in the real world are those that are the least advanced.

Many organizations are striving to adopt best practices in these areas but determining what constitutes a “best practice” has been challenging. The primary barrier: a lack of benchmarking data. If companies do not know where they stand, they are unlikely to act. But when they can see where and how their peers are performing, and can learn from early adopters, that is when real traction can occur. The purpose of this research is to start addressing that hurdle.

This report represents the first attempt we’re aware of to establish a set of social benchmarks for organizations operating in Canada and the United States.



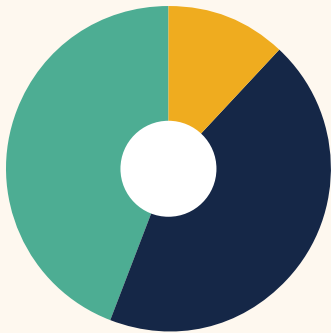


# The Results in Brief

## Social Risk Governance: An Emerging Business Norm

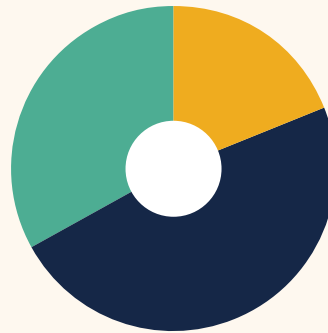
Governance of social issues at the highest levels of an organization appears to be an emerging norm for businesses operating in Canada and the United States. The Sustainable Development Goals (SDGs) and the Sustainability Accounting Standards Board (SASB) Standards are the dominant frameworks used by survey participants for analyzing, managing, and reporting on social issues. This is not surprising as the SDGs are so widely supported by the global business community, and investors gravitate towards the SASB Standards due to their focus on materiality.

### Integrating Social Risk into Board Governance



- Integrating it **44%**
- Working on or considering it **44%**
- Not working on or considering it **12%**

### Integrating Social Risk into Enterprise Risk Management



- Integrating it **48%**
- Working on or considering it **33%**
- Not working on or considering it **19%**





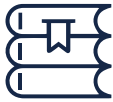
## Human Capital Management: Flexible Work is the New Status Quo

Flexible work models are the new norm for employers and flexible working hours are the top action participants are taking to promote employee mental health and well-being. Further, most organizations are expanding employee engagement and professional development opportunities.

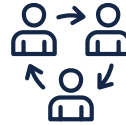
### Post-Pandemic Working Models



- Back full-time **3%**
- Hybrid or flexible **94%**
- Fully remote **3%**



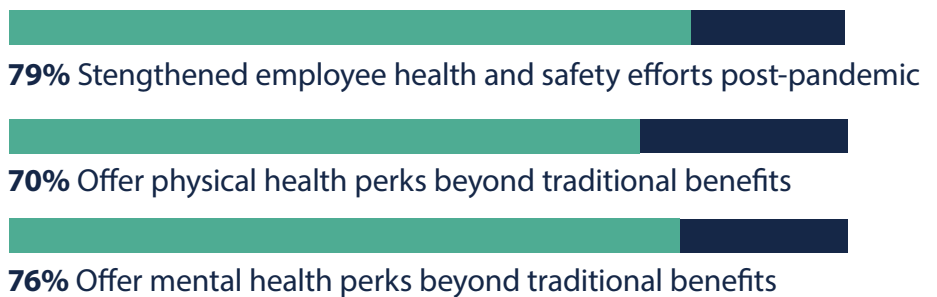
**73%** Investing in professional development opportunities



**73%** Introduced programs to measure and promote employee engagement

## A Growing Focus on Employee Health and Safety

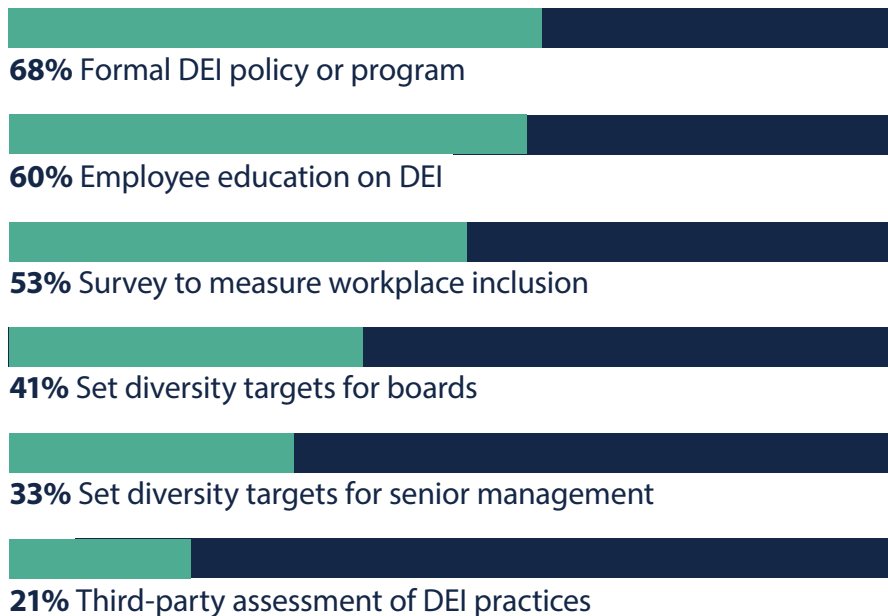
Employee health & safety is a growing focus area for organizations in the post-pandemic world. These data support our thesis that the pandemic has ushered in a new era where employers are increasingly focused on their people. Organizations that are not actively reviewing and improving their practices related to employee health and safety risk losing talent to the vast majority that are doing so.



## Foundational DEI Practices are Widespread, but Targets and External Assessments are Lacking

While most organizations have taken foundational steps to incorporate DEI into their operations, the actions most likely to drive more tangible outcomes – such as setting diversity targets for boards or senior management – are lagging. Why? Perhaps organizations do not see the social and business value in pursuing actions that likely necessitate more fundamental changes in their operations and related practices. Alternatively, they may see the value but are struggling to move beyond current operations and practices effectively. The likely answer is that both scenarios are at play. This gap may narrow over time as both the business-imperatives and best practices become more apparent and accessible.

### Employer DEI Practices



### More Work to be Done on Indigenous Reconciliation

Similar to DEI, there is a gap between foundational steps, such as employee education, and high-impact actions, such as Indigenous talent recruitment and procurement. It is unclear if this gap is due to a lack of motivation to go beyond foundational steps or a need for guidance and support to enable progress on burgeoning reconciliation journeys.

### Employer Indigenous Rights and Reconciliation Practices





## Human Rights Practices Remain Largely Underdeveloped

Considering the pervasiveness of human rights concerns – not just globally but also domestically – organizational human rights practices and policies applicable to employees and suppliers are largely underdeveloped.

Many participants are headquartered in North America and operate domestically, which could explain the limited uptake of human rights practices since procurement likely occurs through regional networks. However, in the context of growing human rights legislation, organizations that are not performing due diligence may find themselves exposed to risks or a larger compliance burden if new laws impact their businesses.

### Employer Human Rights Practices



48% Has a human rights policy



23% Extends human rights policy to supply chain



24% Follows human rights due diligence



31% Extends human rights policy to investments (investors only)

## Corporate Social Performance Falls Short of High Employee Expectations

There are two dimensions to understanding corporate social performance. First, we can benchmark where and how organizations are focusing their efforts; second, we must understand employee expectations and how employers measure up.

While a clear majority of employees in our survey strongly or somewhat agree that their employers are performing well on every dimension of social performance, there is a persistent gap between those performance scores and the level of importance employees place on social issues. The largest importance-performance gaps were evident in employee assessments of physical and mental health support, followed by training.

- On every metric, the majority of workers believe their organizations are performing well, with the strongest agreement (Canada: 74%; USA: 75%) that employers are making progress on DEI, and the lowest agreement (Canada: 59%; USA: 61%) on progress on Indigenous reconciliation.
- Notwithstanding generally positive ratings of employer performance, employee expectations are even higher. Between 69% and 86% of employees believe personally in the importance of social performance across every category and see all of these issues as important to their organization's future success.

- Training, mental and physical health, and a commitment to DEI ranked highest in overall importance to employees. Human rights scored highest in the “very important” category compared to all other issues, with mental health coming in second.
- Demonstrating a commitment to Indigenous rights and reconciliation scored lowest in importance for all employees. However, participants who identify as Black, Indigenous, or People of Colour (BIPOC) placed significantly more importance on this issue than their Caucasian peers. Among Canadian employees, we see a 10-point difference in importance (Caucasian employees: 68%, BIPOC employees: 78%). While, in the U.S., that gap is almost double (Caucasian employees: 64%, BIPOC employees: 85%).
- While Canadian and U.S. employees place about the same level of importance on social issues, Canadian employees marked their employers’ performance lower than American employees on every social metric.

**The Importance of Social Issues to Canadian and U.S. Employees**



**IMPORTANT (NET) CANADA**  
Base: All working Canadians  
(n=1002).



**IMPORTANT (NET) USA**  
Base: All working Americans  
(n=1000).





## How Well Employees Believe Their Employees Are Doing on Social Issues



**DOING WELL (NET)  
CANADA**  
Base: All working Canadians  
(n=1002).



**DOING WELL (NET) USA**  
Base: All working Americans  
(n=1000).

■ Significantly higher.



## INTRODUCTION:

# Why Research on Social Issues is Needed

Why and how organizations should integrate environmental, social, and governance (ESG) factors into business and financial decisions has been a live and evolving conversation in North America for more than a decade. That discussion has never taken up more space in boardrooms, regulator agendas, or mainstream media than it does today.



When the Covid-19 pandemic struck in 2020, many market participants and observers hailed the rise of the 'S' in ESG. While climate change and environmental issues had dominated the ESG conversation up to 2019, many speculated that the emergence of a global health emergency, which disproportionately impacted the most vulnerable in society, would catapult social issues to the forefront. What is certain is that the pandemic was both the catalyst and backdrop for a series of social reckonings that are, at a minimum, reshaping the landscape in which businesses operate and, beyond that, reshaping the cultural values and priorities that define the purpose of business in society.

In 2020, office-based employees were thrust into a new world of remote work. Many faced burnout, anxiety, isolation, or depression while navigating an unimaginable health crisis, juggling parenthood, and coping with the loss of loved ones. Employees working in essential services, hospitality, travel, retail, and other industries did not have the luxury of working remotely, and thus faced higher risk of COVID exposure, alongside severe financial stressors such as layoffs and furloughs. One of the outcomes of the pandemic, which both amplified and exacerbated socio-economic inequality, is an unprecedented conversation about the future of work, and signs of a revival of the labour movement. Together, these dynamics have transformed power relations between employees and employers.

The year 2020 also saw the murder of George Floyd, a Black man, by a White police officer in the American city of Minneapolis. Captured on video and blazed into public consciousness, Mr. Floyd's brutal and gut-wrenching death became the apotheosis of a long history and deeply entrenched culture of violence against Black people. Millions in the U.S., Canada, and around the world, took to the streets to protest anti-Black racism, sparking a movement to address systemic racism and to remove barriers to the advancement of Black people.

About a year later, in 2021, hundreds of unmarked graves of Indigenous children were found at former residential schools in Canada. Indigenous children were involuntarily sent to these boarding schools – which were established and funded by the federal government and operated by churches – to be stripped of their families, culture, language, and religion for the purpose of assimilating them into Western society. While Indigenous Canadians had spent decades searching for the bodies of loved ones who never returned from these schools, the discovery of these unmarked graves sent shockwaves through Canada and the

What is certain is that the pandemic was both the catalyst and backdrop for a series of social reckonings that are reshaping the cultural values and priorities that define the purpose of business in society.

world, as the horrors of colonialism took physical form. The result was a renewed call for action on Indigenous rights that reverberated across Canada and around the world.

While the societal and business implications of these overlapping socio-economic, historical, cultural and racial reckonings continue to unfold, one thing is clear: social issues are essential considerations for anyone trying to build, run, or grow an organization in our time. They simply cannot be ignored.

Against this backdrop, key questions arise: *What is the state of social practices in 2022? How are organizations adapting and managing their social performance in this new era? What are employees' expectations, and how do they evaluate their employers' progress? How can organizations benchmark their practices against others?* We developed this research project to start to answer those very questions.

## What is the state of social practices in 2022?

### How are organizations adapting and managing their social performance in this new era?

### What are employees' expectations, and how do they evaluate their employers' progress?

### How can organizations benchmark their practices against others?

This report represents the first attempt we are aware of to establish a set of practical benchmarks across six key areas of social practices for organizations operating in Canada and the United States: (1) governance and strategy, (2) human capital management; (3) employee health and safety (4) diversity, equity, and inclusion (DEI); (5) Indigenous rights and reconciliation; and (6) human rights.

In addition to examining organizational priorities and actions related to these six themes, we also conducted research to understand Canadian and U.S. employees' perspectives and expectations. Using Argyle's Public Relationships Index, conducted by Leger Research, we surveyed employees to ask how important these issues are to them and how salient they are to the success of their organizations. Further, we asked them to rate their employers' performance in each area.

We acknowledge there are many other material social issues not covered in this report. To work within our capacity, we limited our scope to the above themes based on a combination of business trends and materiality to organizations operating in Canada and the United States. This research represents a starting point that we hope to build on alongside others who are keen to help develop and advance the market with respect to the incorporation of social issues into business decisions.

This report is organized as follows. After outlining our methodology and sample characteristics, it provides the survey results and commentary for the six aforementioned social themes. Following our presentation of the results and accompanying commentary for each theme, we present the employee perspectives we gathered on these same issues. Next, we analyze survey data from organizational participants with the highest levels of conviction to social practices to gain some helpful insights about the state of the market. We then identify the Three Zones of Social Practices: (1) Table Stakes, which refers to widely-adopted social practices that represent business imperatives; (2) Emerging Priorities, which refers to practices adopted by a large enough cohort to represent emerging trends; and (3) The Opportunity Zone, which refers to areas of social practice that are less developed among survey participants and represent opportunities for growth.



# Methodology and Sample Characteristics

## Organizational Survey: July 2022

Data was collected via an online survey that was circulated by email to a targeted group of 129 of the Research Partners' organizational clients with operations in Canada and the United States. It was further shared via the Research Partners' LinkedIn pages and several supporting organizations' newsletters and social media channels. Since the dynamics and dialogues around social issues vary widely around the world, organizations operating in Canada and the United States were targeted to generate a coherent and comparable dataset.

A total of 73 organizations participated in the survey, including some of the largest companies and institutional investors operating in North America. The public companies that participated in the research represent a combined market capitalization of \$3.34 trillion, while the institutional investors and financial institutions represent \$2.04 trillion in assets under management and administration.<sup>1</sup> Additional participant characteristics are summarized below.

Some participants did not provide data for some of the questions, so we have included a note below each of the charts to indicate the exact number of participants for each question, represented as "N = X."

Figure A: Location of Participants' Headquarters

### Which of the following best describes your organization?



<sup>1</sup> Both figures are presented in Canadian dollars, represented the latest available data as of October 5, 2022. USD-domiciled assets were converted to CAD for the purpose of this tabulation.

As shown in Figure A, most survey respondents (85%) are headquartered in Canada, with 49% operating primarily in Canada, 19% operating globally, and 17% operating across North America. A minority of survey respondents (8%) are headquartered in the United States, half of whom operate globally while the other half primarily operates domestically. Seven percent of our survey respondents are headquartered outside North America with operations in Canada and/or the United States.

Figure B: Participant Organization Types

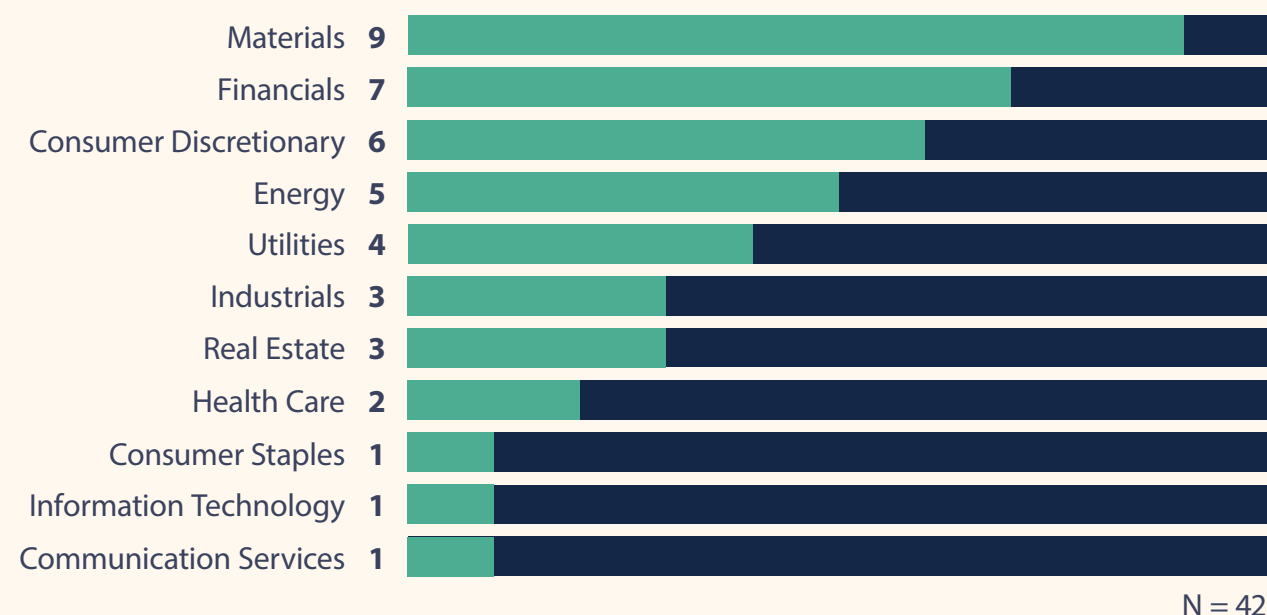
### Which category best describes your organization?



As shown in Figure B, the majority of survey participants (58%) are companies, with 36% publicly listed and 22% privately held. These companies' sectors are detailed in Figure C below. Approximately one-fifth of survey participants (19%) are institutional investors, composed of 14% asset managers and 5% asset owners. Non-profit organizations make up 12% of survey participants, while financial institutions account for 7%, crown corporations make up 3%, and a government agency accounts for 1% of the sample.

Figure C: Sectors of the 42 Participating Companies (Public and Private Combined)<sup>2</sup>

### Which industry or economic sector best describes your organization?

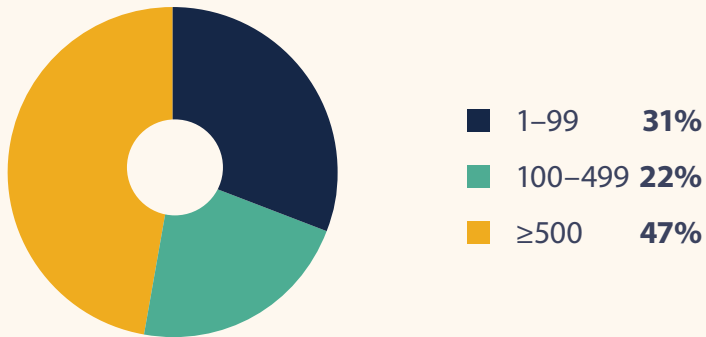


<sup>2</sup> Sectors are based on the Global Industry Classification Standard (GICS). Learn more about GICS [here](#).



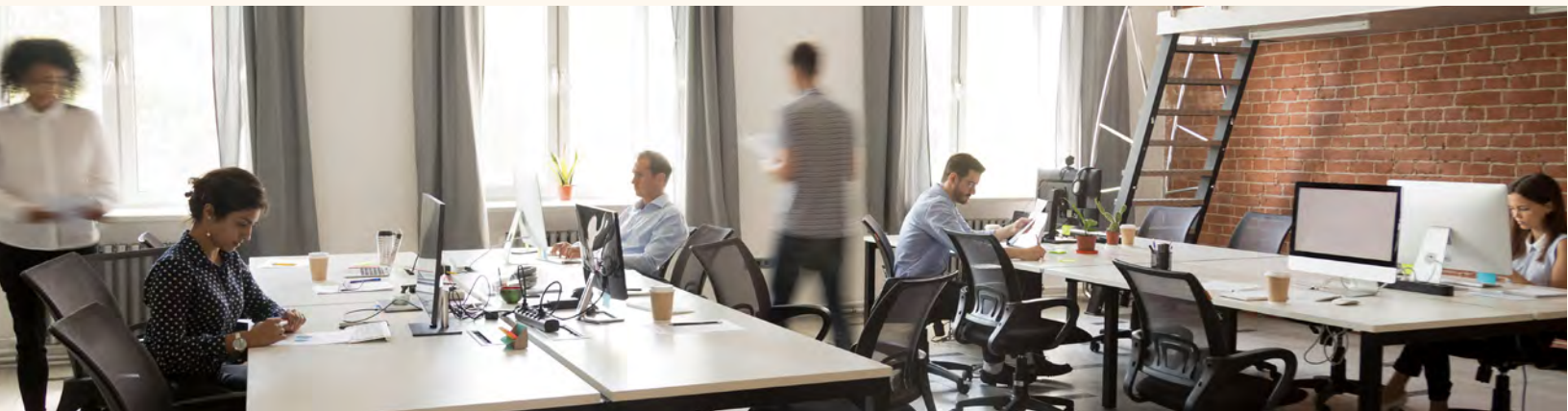
Figure D: Participant Organization Size

### Number of Employees



N = 73

Figure D shows that approximately half of survey participants (47%) are large companies with 500 or more employees. Nearly a quarter (22%) of participants are mid-sized companies with between 100 and 499 employees, and about one-third (31%) are small companies employing 99 or fewer employees.



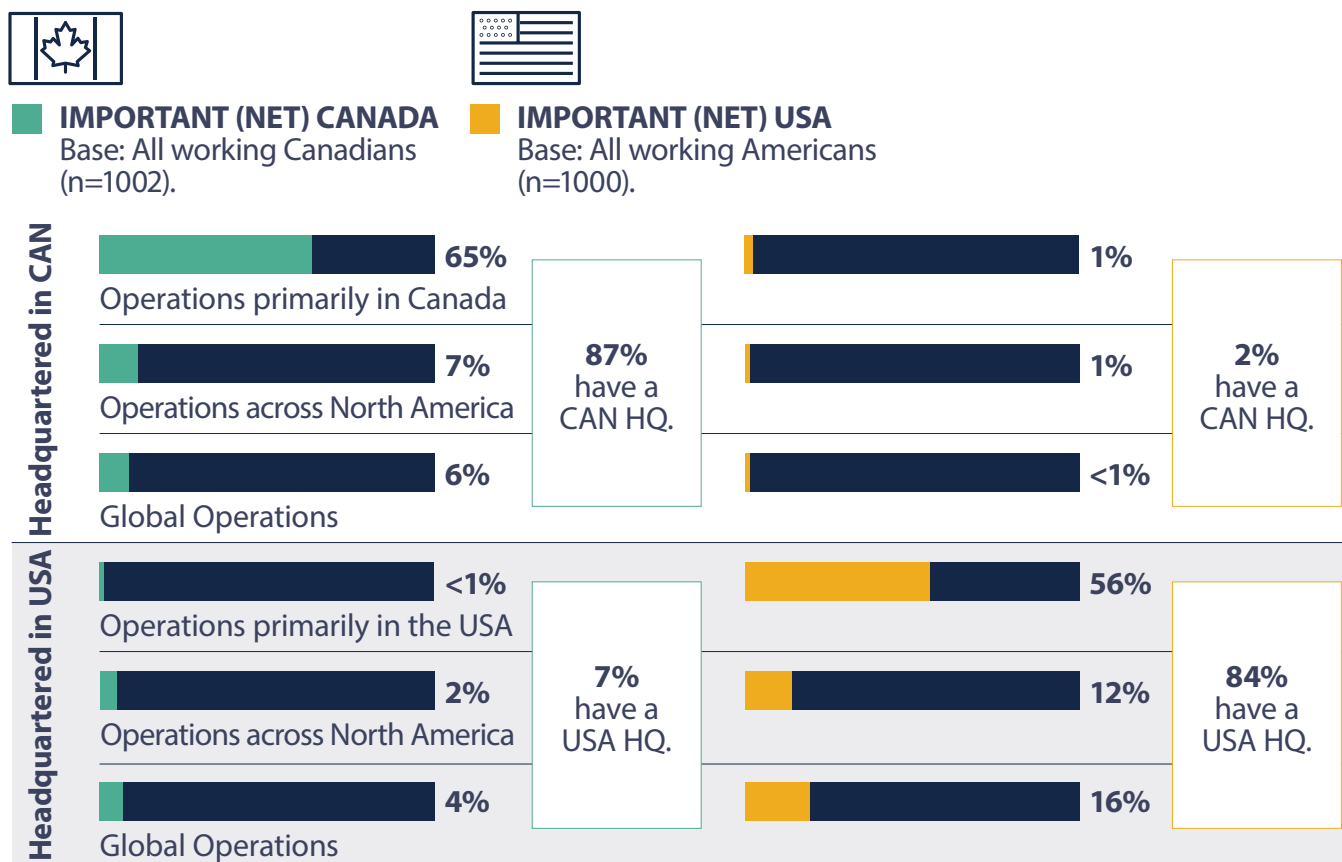
## Employee Survey: August 2022

Argyle commissioned Leger – the largest Canadian-owned market research firm – to send an online survey to its proprietary online panel and results were calculated for 1,002 working Canadians aged 18+ and 1,000 working Americans aged 18+. The respondent profile from each country was designed to reflect the demographic of working adults in each country as closely as possible. These data serve as a proxy for the general opinion of the working public; importantly, the data were not collected directly from the employees of organizations participating in the research. A conventional margin of error cannot be associated with this web panel, but for comparative purposes, a probability sample of 1,000 respondents would have a margin of error of  $\pm 3.1\%$ , 19 times out of 20.

## Where do they work?

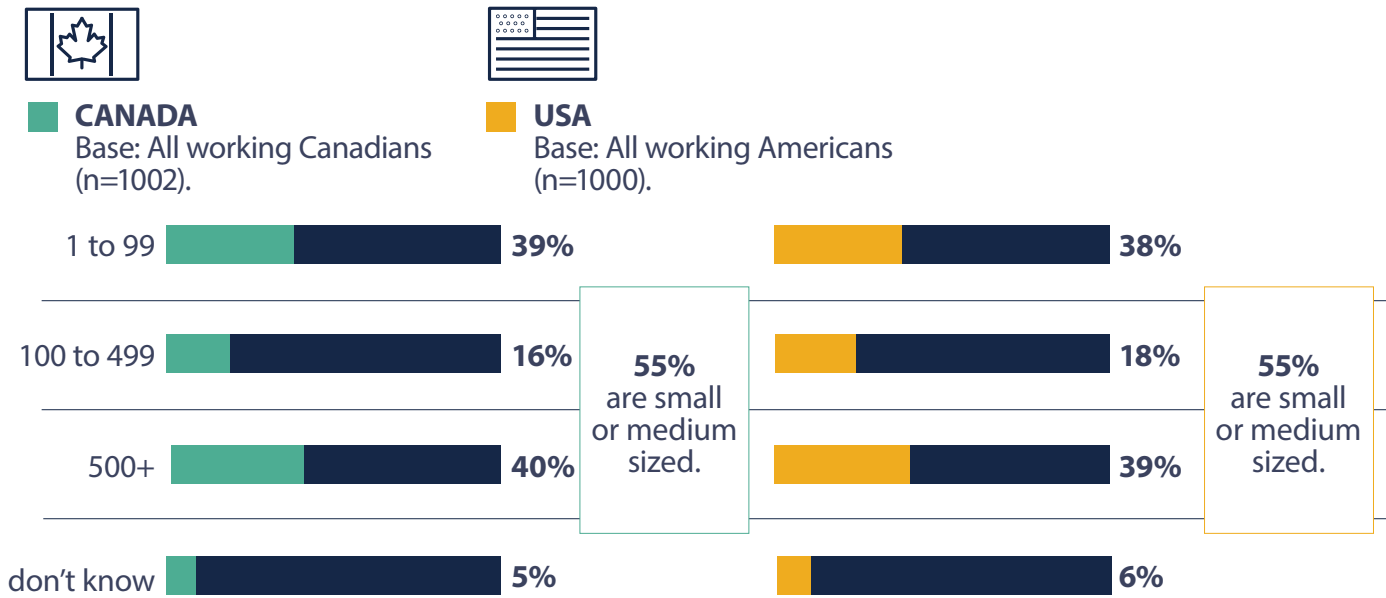
Virtually all respondents work in the same country in which they reside, and the majority of the organizations where people work are headquartered in the country in which they reside. Approximately 7% of Canadian employees work for companies headquartered in the U.S., while 13% work for a Canadian company with operations in the U.S. and/or across the globe. While few U.S. employees report working for an organization head-quartered in Canada, more than a quarter work for a company with operations across North America and/or the Globe.

Figure E: Respondents' Organization Headquarters



Approximately 55% of those surveyed work for a small or mid-sized company, while the remaining work in larger organizations of over 500 people (see below Figure F).

Figure F: Respondents' Organization Size



# Results

## Governance & Strategy

### Introduction

In recent years, we have seen a growing number of organizations incorporating climate risks and opportunities into their business strategy. Boards and senior management teams are establishing formal oversight of climate issues, and organizations are adopting disclosure frameworks such as the Task Force on Climate-related Financial Disclosures to analyze, manage, and communicate their practices related to climate change. This raised a question for us: Are organizations taking similar steps for social issues in the post-pandemic era? This section explores how survey participants manage social issues with respect to board oversight, enterprise risk management, business strategy, frameworks, executive compensation, and communication strategy.



## Governance

Figures 1 & 2: Oversight of Social Risks and Opportunities

Figure 1:

**Are social risks & opportunities systematically integrated into your organization's board governance?**



N = 73

■ Yes **44%**    ■ No **12%**  
 ■ Work is in progress or under consideration **44%**

Figure 2:

**Are social risks & opportunities systematically integrated into your organization's enterprise risk management?**



N = 73

■ Yes **48%**    ■ No **15%**  
 ■ Work is in progress or under consideration **37%**

To kick off our survey, we started with questions about the governance and oversight of social issues. We first asked if participants' boards have systematically integrated social risks and opportunities into board governance, and we followed up by asking if the same issues are integrated into their enterprise risk management (ERM).

As shown in Figure 1 above, 44% of participants' boards have established formal oversight of social risks and opportunities. A sizeable minority (44%) of participants are considering board oversight of social issues or describe it as a work in progress. Only 12% of respondents reported that their boards are not overseeing social risks and opportunities and are not considering doing so.

With respect to ERM frameworks, Figure 2 shows that approximately half (48%) of respondents reported that social risks are systematically integrated, while 37% said work is in progress or under consideration in this area. Only 15% said that social issues are not integrated into their ERM frameworks and they are not considering it.

**We may be witnessing a major shift where governance of social issues at the highest levels of the organization is emerging as the new norm.**

These data suggest that we may be witnessing a major shift related to the oversight of social issues. The large minorities of respondents incorporating social issues into governance and risk management, combined with the large minorities reporting that work is in progress or under consideration, collectively make up very strong majorities. Specifically, 88% of participants are either integrating social issues into board governance or considering/working on it, while 85% are either integrating social issues into ERM frameworks or considering/working on it. This signals that governance of social issues at the highest levels of the organization may be an emerging norm for businesses operating in Canada and the United States.

## Business Strategy

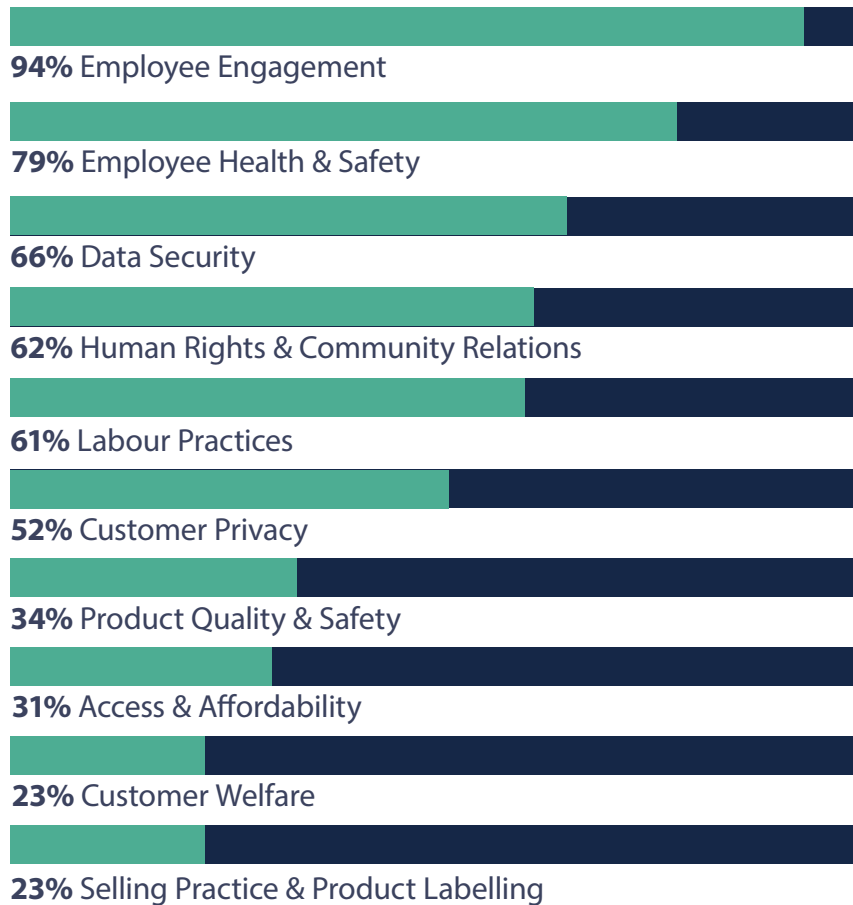
Figure 3: Social Issues in Business Strategy

### Which social issues are formally prioritized in your organization's corporate or ESG strategy?

We wanted to understand which social issues are most strategically important to organizations operating in Canada and the U.S. So, we asked survey participants to identify the social issues that are formally prioritized in their corporate or ESG strategies. To do this, we provided a list of social issues drawn from SASB's Social Capital Metrics and Human Capital Metrics, including definitions which can be found on the SASB website [here](#).

As shown in Figure 3, employee engagement and employee health and safety are the social issues most commonly incorporated into business strategy, followed by data security, and human rights & community relations, and labour practices. Additional details are shown in Figure 3.

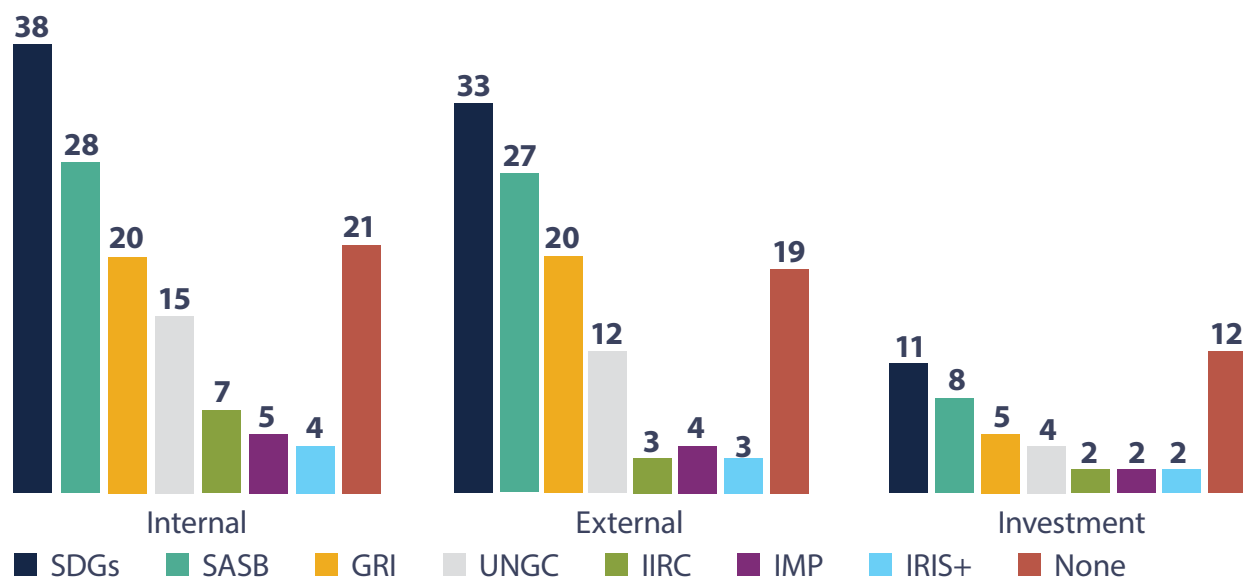
The fact that employee engagement and employee health and safety comprise the top strategic priorities among social issues supports the notion that employee wellbeing and retention are critical focus areas for management teams in the post-pandemic era.



N = 71

Figure 4: Social Frameworks

### Which framework(s) does your organization use for analyzing, measuring, managing, and/or reporting on social issues?



N = 73

Standardized frameworks are critically important for the disclosure of consistent and comparable information used by investors, customers, and other stakeholders. They are also important for establishing a common language for particular subjects, which enables clear and coherent communication across organizations, sectors, and geographies. This certainly holds true for disclosures and communication around social issues.

To gain a sense of which standardized frameworks are most widely used for analyzing, measuring, managing, and reporting on social issues, we asked survey participants to let us know which frameworks they use for external purposes (such as public disclosures) and internal purposes (such as internal measurement and monitoring, materiality assessments, and terminology). We also asked the investor participants to identify which frameworks they use for investment analysis. These results are presented in Figure 4 above. Note that respondents often rely on multiple frameworks, so the data sum to a total that is greater than the number of respondents.

As shown in Figure 4, the United Nations' (UN) Sustainable Development Goals (SDGs) are the clear frontrunner among social frameworks, likely due to the global reach of the UN and the business community's widespread support for the SDGs as a framework for sustainable development. The SDGs are followed by the SASB Standards<sup>3</sup>, which focus on material financial information for capital markets, the Global Reporting Initiative (GRI), a framework for organizations to report their impacts on the economy, environment, and people, and the UN Global Compact, a set of principles adopted by corporations to promote sustainable practices.

<sup>3</sup> The SASB Standards were developed by the Sustainability Accounting Standards Board and are now a resource of the IFRS Foundation.



The lesser-used frameworks among respondents, also shown in Figure 4, included the IIRC, which focuses on integrated reporting<sup>4</sup>, the Impact Management Platform (IMP), which focuses on the measurement and management of sustainability-related impacts, and IRIS+, a system for measuring, managing, and optimizing impact administered by the Global Impact Investing Network (GIIN).

Some participants wrote that they use additional standardized frameworks, including four mentions of the Taskforce on Climate-Related Financial Disclosures (TCFD), which is not widely viewed as a social framework, and two mentions for each of GRESB, The First Nations Principles of OCAP, UN Declaration on the Rights of Indigenous Peoples, and Canada's Truth and Reconciliation Commission.

A surprisingly large number of participants reported that they do not use any social frameworks to guide their priorities or practices. This is represented by the "None" label in Figure 4. This lack of framework adoption among some participants may be attributable to the fact that many organizations are still early in their ESG journeys, and social metrics & social performance management tend to be less developed than other areas of ESG such as corporate governance and environmental risk management.

A surprisingly large number of participants reported that they do not use any social frameworks

<sup>4</sup> The IIRC was established as the International Integrated Reporting Council, but is now known as the Integrated Reporting Framework housed under the IFRS Foundation.

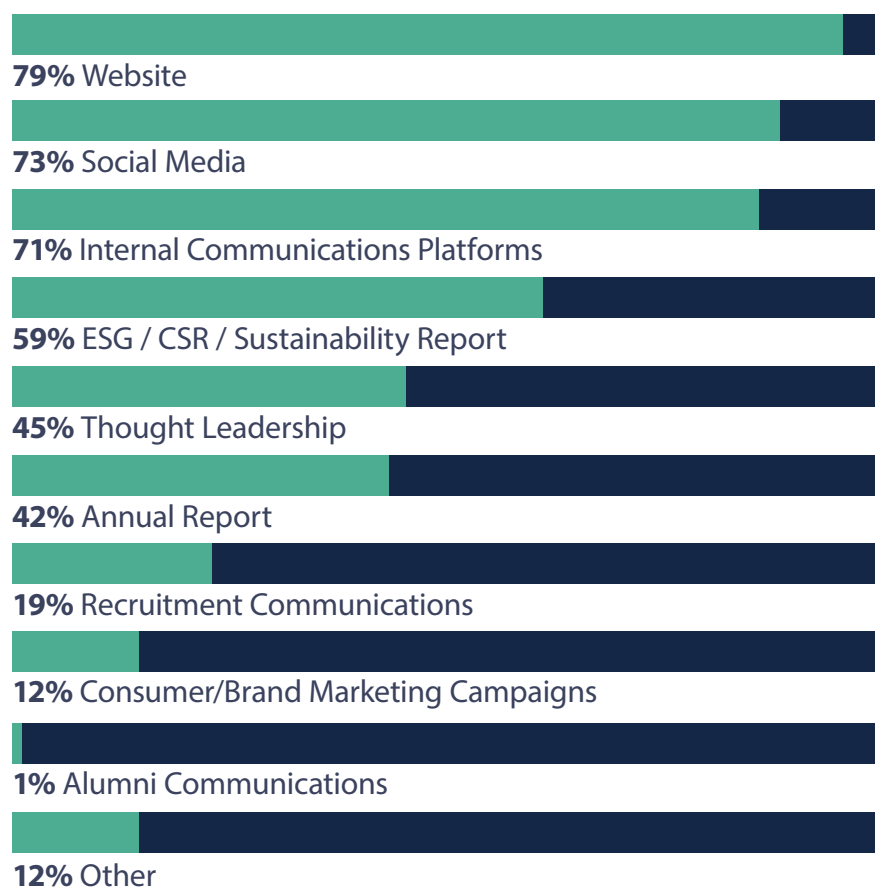
## Communication Strategy

To gain a sense of how social performance is communicated, we asked survey participants how they publicly communicate their commitments to and progress on social issues. As presented in Figure 5, most survey participants use their website (79%), corporate social media channels (73%), internal communications platforms (71%) and ESG / CSR / sustainability reports (59%). Other communication channels include thought leadership (45%) and annual reports (42%). The least frequent methods of public communication for organizations include recruitment communications (19%), consumer/marketing campaigns (12%), and alumni communications (1%). Twelve percent of organizations said they use other methods to communicate their commitments to and progress on social issues publicly.

Given the high importance employees place on social performance, it's surprising that so few organizations are including this in their recruitment communications.

Figure 5: Public Communication Strategies for Social Performance

### How does your organization publicly communicate your commitments to and progress on social issues?



N = 73

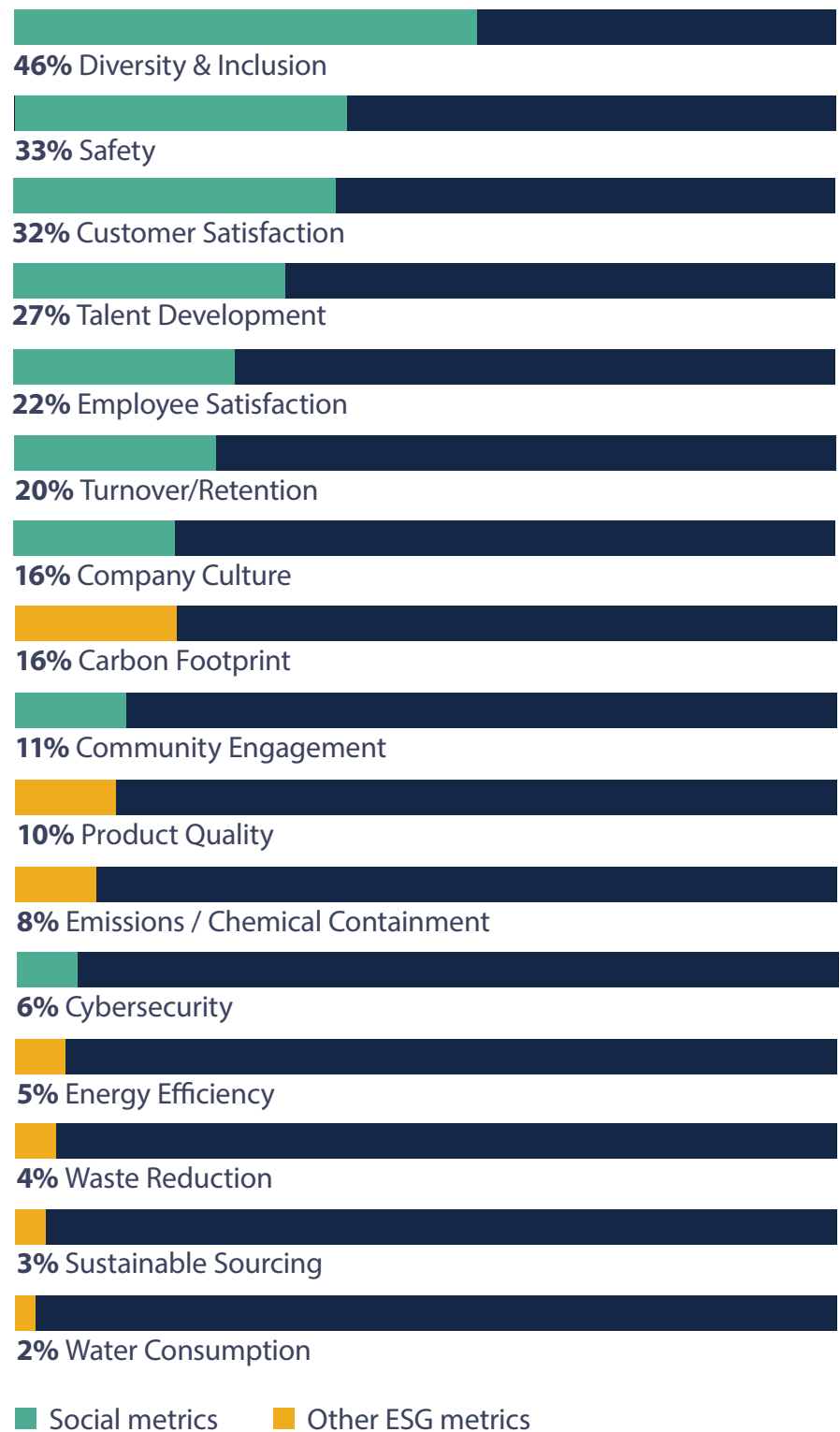
## Executive Compensation

A review of the governance of social issues would be insufficient without observing the social metrics that are linked to executive compensation. However, there are no publicly available data for the Canadian market. As a result, we are leveraging publicly available compensation data from Semler Brossy – a U.S.-based compensation consultancy – covering the S&P500. We acknowledge this data is collected from a different sample comprising only U.S. public companies, but it can serve as a useful proxy for observing general trends in compensation practices among businesses operating in North America.

Figure 6 presents data from Semler Brossy's [2022 ESG + Incentives Report](#), adapted for formatting purposes. The chart shows the proportion of S&P500 companies that have incorporated various ESG metrics into their executive compensation packages. The blue bars represent social metrics, while the orange bars represent other ESG metrics.

These data indicate social issues dominate among ESG metrics in compensation design, comprising the top 7 ESG metrics. These findings provide additional support for the notion that social issues are in sharp focus for organizations in the post-pandemic era, especially DEI, employee safety, and human capital management more broadly. The next section dives deeper into human capital management practices.

*Figure 6: ESG Metrics in Executive Compensation (S&P500) Source: Semler Brossy*



N = 500

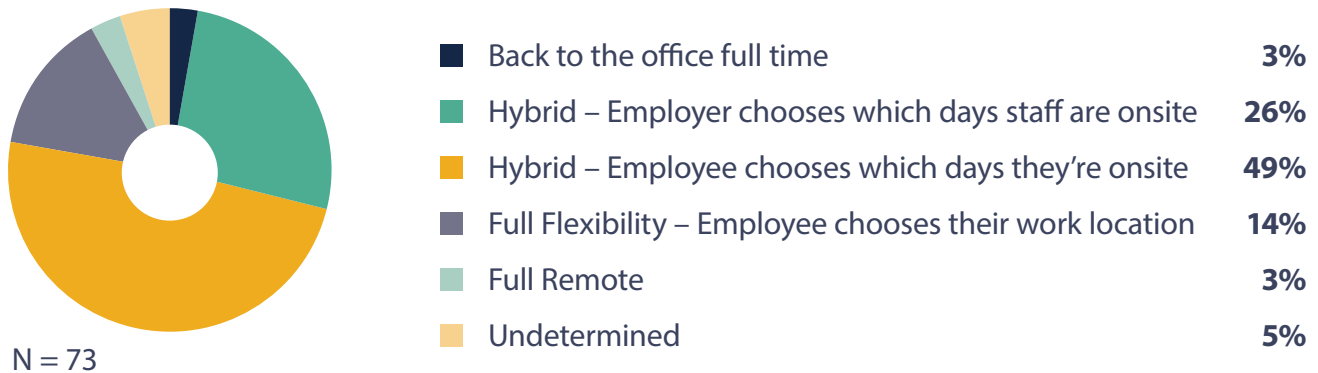


## INTRODUCTION:

# Human Capital Management

The pandemic and cultural reckonings stimulated dialogues about the importance of human capital management. The Human Capital Management Coalition defines human capital as “the collective knowledge, motivation, skills and experiences of the workforce” and positions human capital as “the engine that drives our economy and allows companies to compete in an environment where ingenuity and the ability to adapt to novel technologies are the keys to lasting success.” Human capital management is thus a very broad concept and includes practices related to DEI and employee health and safety, which are covered in other sections of this report. In this section, we focus on working models, training & development opportunities, and measuring and promoting employee engagement, which play an important role in attracting and retaining talent.

Figure 7: Post-Pandemic Working Models

**Which of the following models is your organization adopting post-pandemic?**

Although Covid-19 is still circulating, estimated case counts have dropped from their peak in early 2022 and most public health restrictions have been lifted. As a result, many organizations are starting to bring their employees back to the office, although the frequency and approach varies widely across different organizations. We wanted to understand what the return to the office looks like, so we asked survey participants to let us know what type of model they are adopting post-pandemic.

As shown in Figure 7, the data indicate that flexible and hybrid working models are the new normal. Among our 73 survey participants, only two organizations (3%) are bringing their staff back to the office full time while a staggering 92% have adopted some form of flexible model where staff work from home at least some of the time.

About half (49%) of survey participants are adopting a hybrid model in which their staff choose which days they are at the office, providing a high degree of flexibility to their employees. Roughly a quarter (26%) of participants are adopting a hybrid model in which the employer chooses which days their staff are onsite, while 14% are offering a fully flexible model in which employees choose their work location. A mere 3% are fully remote, with no staff at the office, while the same proportion of participants (3%) are bringing staff back to the office full time.

The data suggest that organizations bringing their staff back to the office full time may face challenges in the competition for talent that wants flexibility. A global [survey](#) of 28,025 full-time employees conducted by Cisco in 2022 found that 78% of employees believe that hybrid and remote work have improved their wellbeing. It is thus no surprise that a 2022 McKinsey [survey](#) of 25,000 American employees found that 87% of workers prefer to work from home when given the opportunity.

It is worth noting that the preference for remote or hybrid work models tends to skew younger. A 2022 Mercer [survey](#) of 1,000 Canadian employees



Figure 8: Training & Development Opportunities

**Does your organization have a formal program to provide employees with training & development opportunities?**



N = 73

A 2022 Conference Board [survey](#) of 1,200 individuals found that 58% said they would likely leave their company without professional development opportunities or related training to develop new skills and advance their careers. This likelihood was highest among women, people of color, and millennials.

Our research validated this trend. The vast majority (86%) of Canadian and U.S. employees ranked training and development opportunities as 'important', with close to half (42% and 48% respectively) ranking it as 'very important'.

With professional development playing such a crucial role in employee expectations and retention, we wanted to understand what proportion of organizations are offering training and development opportunities. As shown in Figure 8, approximately three-quarters of respondents (73%) currently have a formal program to provide their employees with training & development opportunities, while 18% are considering or working on such a program. Only 10% of respondents do not have a formal training & development program and are not considering it.

These data suggest that most employers are aware of the importance of providing their employees with training and development opportunities.



To gain a sense of what form these training and development opportunities are taking, we asked the 53 out of 73 participants who currently have a formal training and development program to provide more details, which are shown in Figure 9 below. Approximately three-quarters (77%) offer bespoke training courses and/or workshops in key elements of their business, while 70% provide formal leadership and management training and 68% provide credits or allotments to employees for professional development. A minority provide formal mentorship programs (40%) and scholarship/bursary programs (36%), while 19% reported using other formal programs to provide training and development opportunities to their staff.

The minority (10%) of participants that do not offer these opportunities and are not considering doing so may face challenges in their efforts to attract and retain talent that largely wants these opportunities. However, our research suggests that even those who are undertaking these efforts may not be meeting employee expectations.

*Figure 9: Types of Training & Development Programs*

**Which of the following formal programs does your organization use to provide employees with training & development opportunities?**



N = 53

## The Employee Perspective: Great Expectations – Still Unmet

While a clear majority of employees in our survey strongly or somewhat agree that their employers are performing well on every dimension of social performance, there is a persistent gap between those performance scores and the level of importance employees place on social issues.

The creation of training and development programs and opportunities was the single most important issue for employees (very or somewhat important to 86% in both countries), albeit tied statistically with programs supporting employees' mental and physical health and protecting human rights.

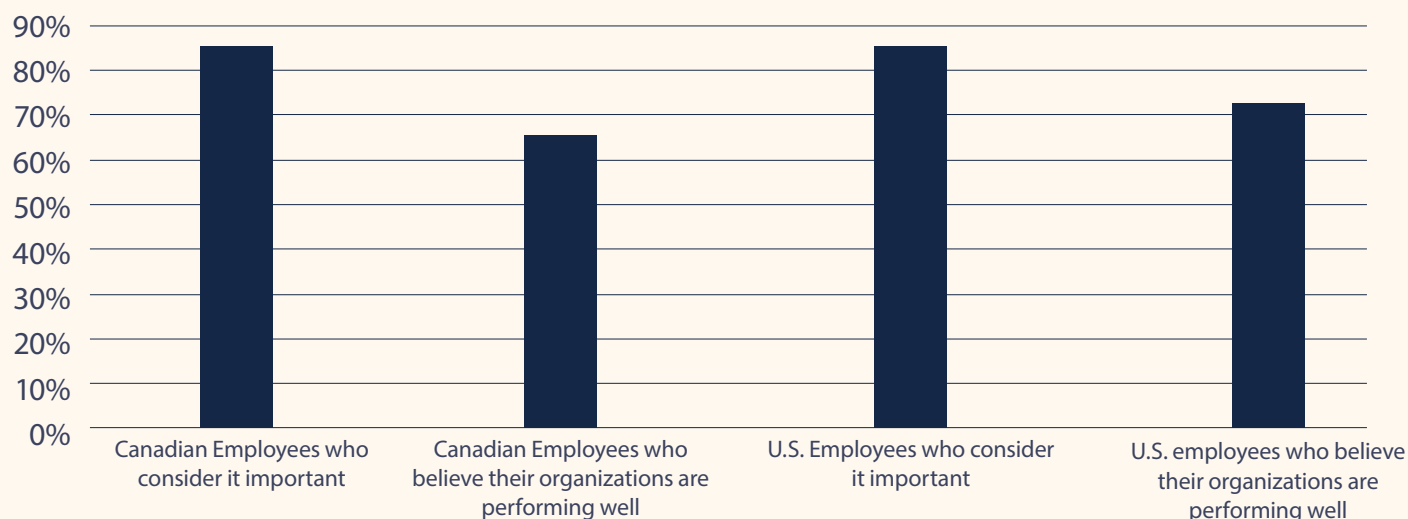
However, much lower percentages – 65% in Canada, 71% in the U.S. – believe their organizations are doing very well or somewhat well. This is the second largest "importance-performance gap" in the survey.

Only 22% and 35% of Canadian and U.S. employees, respectively, ranked their organization as doing "very well" on this front. Again, scores were lower from Canadian employees: 27% report that their company is doing "not very well" or "not well" at all on this issue (compared to 20% of U.S. employees).

The creation of training and development opportunities was the single most important issue for employees, but only 22% and 35% of Canadian and U.S. employees, respectively, rate their employers as doing "very well."

Figure 10: The Gap Between Employee Expectations and Evaluation of Performance

### Creating training and program development programs and opportunities for employees



Whether employers are not offering the scale, breadth or depth of training opportunities employees want, or employees are simply unaware of the opportunities available to them — this finding points to a need for much stronger internal dialogue between employees and employers on this issue.

Figure 11: Measuring Employee Engagement

**Does your organization regularly conduct formal surveys or programs to measure and/or promote employee engagement?**



N = 73

Amid growing competition for talent in a world where flexibility is a new norm and expectations are running high, it is increasingly important for employers to engage and understand their employees. Achieving this engagement and understanding cannot happen without input from employees, so we asked participants whether they regularly conduct formal surveys or programs to measure and/or promote employee engagement.

As shown in Figure 11, approximately three-quarters of participants (73%) regularly conduct formal surveys or programs to measure and/or promote employee engagement, while 10% are considering it or describe it as a work in progress. Only 18% of participants do not regularly measure employee engagement and are not considering it. This latter group not considering it is composed primarily of non-profits and small organizations with fewer than 99 employees.

We asked the 53 participants<sup>5</sup> that regularly measure and/or promote employee engagement to provide more details, which are presented in Figure 12 below. Ninety-one percent of this subgroup engage their employees with office social events, employee discussion forums, and internal communication channels. Eighty-nine percent leverage committees, working groups, or task forces to promote employee engagement.

<sup>5</sup> These 53 respondents represent 73% in Figure 9.

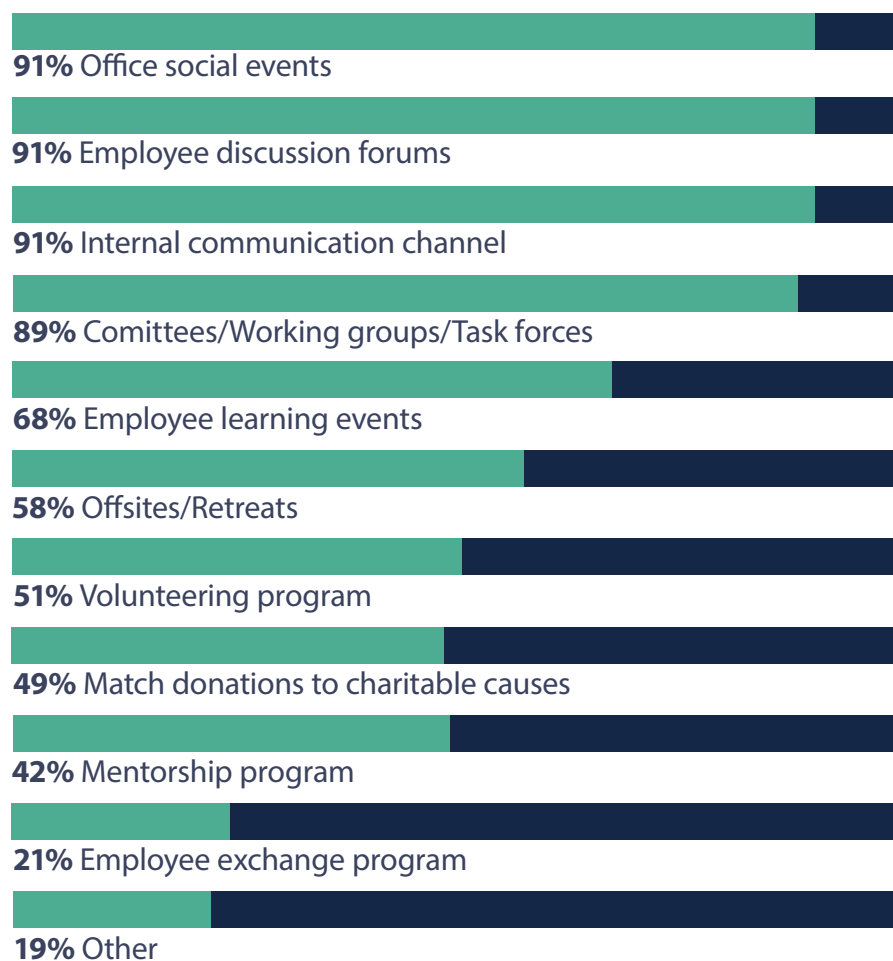


Sixty-eight percent use employee learning events, while 58% use staff offsites or retreats to promote employee engagement. Fifty-one percent of respondents have a volunteering program while 49% match donations to charitable causes to engage their employees. Forty-two percent use mentorship programs while 21% use employee exchange programs. Nineteen percent of respondents wrote in other programs to promote employee engagement such as coaching and mentorship, employee surveys, free snacks, webinars, and employee ownership opportunities.

It will be interesting to see how employee engagement strategies evolve over time in the era of flexible and hybrid work arrangements, particularly since office social events are at the top of the list in this survey.

*Figure 12: Promoting Employee Engagement*

### How does your organization promote employee engagement?



N = 53

How will employee engagement strategies evolve in the era of flexible and hybrid work? An important question, considering the current emphasis on office social events.

## INTRODUCTION:

# Employee Health and Safety

As noted at the outset of this report, the pandemic and cultural reckonings ushered in a new era for the workplace where management teams were compelled to focus on building more inclusive and human-centric work environments. In the context of an unprecedented global health crisis, the health and safety of employees became a top priority for organizations navigating deep uncertainty while aiming to mitigate risks and operational disruptions. Although a degree of normalcy will probably emerge as the pandemic becomes endemic, it is clear that the future of work will not look like the past. Against that backdrop, we wanted to understand what kind of actions organizations have been taking in the realm of employee health and safety. This section examines organizations' practices regarding their employees' physical and mental wellbeing, and whether employers have strengthened their health and safety programs since the pandemic started.

### What organizations are doing:



**70%:**  
Employers offer physical health perks beyond conventional benefits



**76%:**  
Employers offer mental health perks beyond conventional benefits



**79%:**  
Employers increased health and safety benefits since the pandemic

### How Employees feel about it:



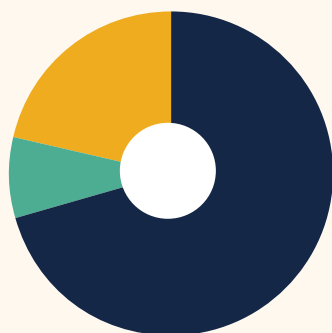
**63%** of Canadian employees and **71%** of U.S. employees believe their employers are doing very or somewhat well on delivering physical and mental health benefits.



# Results

Figure 13: Physical Health & Fitness

**Does your organization offer perks or benefits above and beyond conventional health & dental insurance to promote PHYSICAL health & fitness?**



N = 71

- Yes **70%**
- Work is in progress or under consideration **8%**
- No **21%**



We asked survey participants whether their organizations offer perks or benefits above and beyond conventional insurance coverage to support their employees’ physical health and fitness. For clarity, we provided examples such as credits, allowances, gym memberships or other programs to promote physical health and fitness.

As presented in Figure 13 above, a strong majority of participants (70%) offer perks or benefits above and beyond conventional health and dental insurance to promote physical health and fitness among their employees. Eight percent of participants are considering or working on offering such perks or benefits, and 21% of participants do not currently offer these perks or benefits and are not considering it.

We asked the participants who provide these physical health perks or benefits to tell us more about their offerings. The top three responses were credits or allowances for fitness activities, ergonomic assessments/equipment options, and onsite exercise facilities/programming. Additional details are shown in Figure 14. Since there is such a strong majority of participants offering these perks or benefits to promote physical health and fitness, organizations that do not offer such programs may find themselves competing for talent that can most likely obtain such benefits elsewhere.

Organizations who do not offer physical health perks above and beyond conventional benefits may lose out in the competition for talent.

Figure 14: Types of Physical Health and Fitness Benefits/Perks

**Which PHYSICAL health and fitness perks or benefits does your organization offer to employees above and beyond conventional insurance coverage?**



N = 50

Figure 15: Mental Health and Wellbeing

**Does your organization offer perks or benefits above and beyond conventional health & dental insurance to promote MENTAL health & wellbeing?**



N = 71

Mental wellbeing is increasingly recognized as an important component of overall health. While this recognition started to enter the mainstream prior to the pandemic, the pandemic put the spotlight not only on physical health (i.e. coronavirus infections) but also on mental health as most people suffered from stress and/or other mental health challenges. For example, a 2020 survey from Morneau Shepell found that 81% of Canadians felt the pandemic negatively impacted their mental health.<sup>6</sup> Similarly, a 2020 survey from the American Psychological Association found that 78% of Americans felt the pandemic was a significant source of stress in their life.<sup>7</sup>

We asked each survey participant whether their organization offers perks or benefits above and beyond conventional insurance to promote mental health and wellbeing among employees. For clarity, we provided examples such as credits, allowances, memberships, mental health education, therapy services, or other programs to promote mental health and wellbeing.

As shown in Figure 15, approximately three-quarters of participants (76%) offer perks or benefits above and beyond conventional health and dental insurance to promote mental health and wellbeing, while 13% are considering it or working on it. Only 11% of participants do not offer these perks or benefits and are not presently considering it.

We asked the participants who offer extra mental health perks or benefits to identify the types of benefits or perks on offer. These results are presented in Figure 16 below. Notably, the top response was flexible working hours to accommodate employees' wellbeing, followed closely by credits or allowances for mental health services, mental health education, and access to mental health facilities or programming.

Since such a strong majority of participants offer these perks or benefits to promote mental wellbeing, organizations that do not offer such programs may face retention and recruitment challenges as they compete for talent with organizations that do.

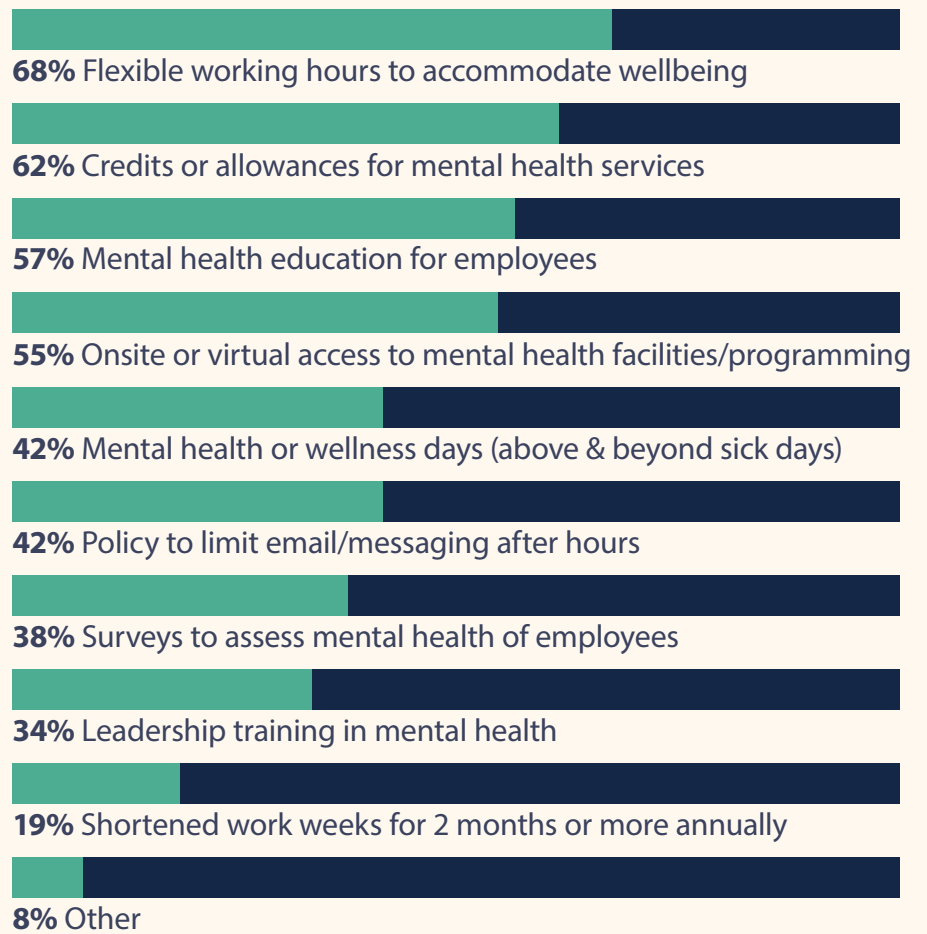
**Flexible working hours is the top benefit employers offer to support mental health in the workplace.**

<sup>6</sup> LifeWorks, formerly known as Morneau Shepell (2020). [Canadians are feeling unprecedented levels of anxiety, according to Mental Health Index.](#)

<sup>7</sup> American Psychological Association (2020). [Stress in America 2020.](#)

Figure 16: Types of Mental Health Benefits/Perks

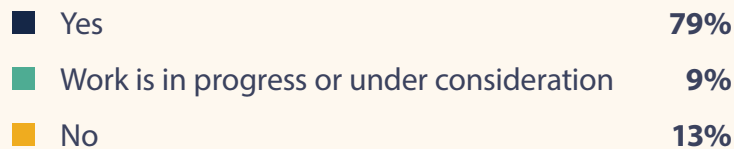
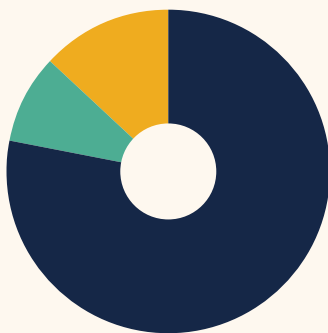
**Which MENTAL health and wellbeing perks or benefits does your organization offer to employees above and beyond conventional insurance coverage?**



N = 53

Figure 17: More Focus on Health and Safety Following the Pandemic

**Has your organization increased the number of programs or initiatives dedicated to employee health and safety since the pandemic started?**



N = 70

As discussed in the introduction to this report, the pandemic required a new kind of management that is founded on humanity and empathy. As such, we wanted to test our hypothesis that most organizations have made efforts to adapt to this new reality. So, we asked participants whether they have increased the number of programs dedicated to employee health and safety. The survey data suggests that our hypothesis has been confirmed.



As shown in Figure 17, a strong majority of survey participants (79%) have increased the number of programs or initiatives dedicated to employee health and safety since the pandemic started, while 9% are considering or working on growing such programs. Only 13% of participants have not expanded their health and safety programs and are not presently considering it.

These datapoints, alongside others in this survey, illuminate the changing nature of human capital management in the post-pandemic era. Most organizations are adapting to the new era by investing more in their employees' wellbeing, as evidenced by the increased programming dedicated to employee health and safety.

## The Employee Perspective on Physical and Mental Health Benefits: Big Priority, Big Gap

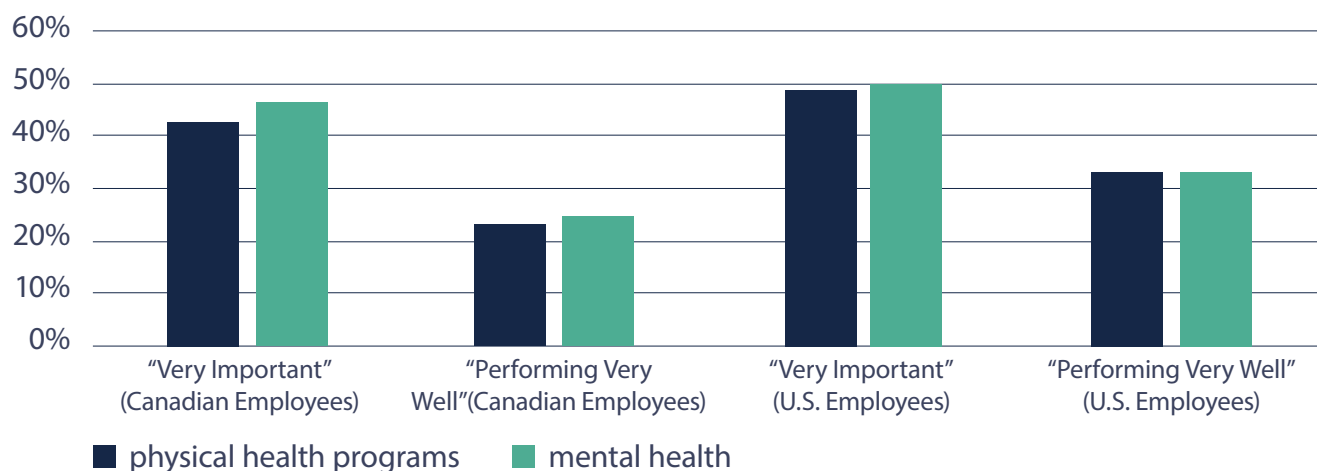
U.S. and Canadian employees overwhelmingly agree on the importance of employer programs and initiatives to support their physical and mental well-being. Overall, 84% of employees in both the U.S. and Canada feel that it is very or somewhat important that their organizations invest in creating programs and initiatives to support their physical and mental health and well-being.

Also clear from the research: there is a significant gap between the level of importance employees place on these investments and how well they believe their employers are doing. On trend, that gap is wider among Canadian employees than it is among U.S. employees, as show in Figure 18.

Given the extent to which organizations appear to be investing in and growing physical and mental health programs, the disconnect around employee's perceptions of performance is worth flagging. Are employee expectations evolving faster than organizations' efforts to address them? Is there a disconnect between the type of programs being offered and employees' specific needs? Is the breakdown occurring at the employee communication and engagement level (i.e. organizations don't fully know or understand employee needs) or at the product and service level (i.e. organizations know what employees want by either can't or won't deliver aligned benefits and programs)? These are questions worth exploring, especially, as noted above, this is important terrain on which the war for talent is won and lost.

Figure 18: Importance of Physical and Mental Health Initiatives Versus Perceptions of Performance

### Creating programs or initiatives that support employee's physical and mental health and well-being



## INTRODUCTION:

# Diversity, Equity, and Inclusion

The racial injustice reckoning that started in 2020 led to new dialogues about the role of businesses in combatting systemic racism and supporting diverse, inclusive and equitable workplaces. Many organizations pledged to act either individually or through collaborations such as the BlackNorth Initiative, the Canadian Investor Statement on Diversity & Inclusion, and the (U.S.-based) Investor Statement of Solidarity to Address Systemic Racism and Call to Action. The increased focus on DEI issues created new expectations for employers: It was time to move beyond rhetoric and take meaningful action to create safe and inclusive workplaces for all. In this section, we examine several actions that organizations have been taking on this front including DEI policies/programs, diversity targets, DEI training, third party DEI assessments, and measuring inclusion in the workplace.

# Results

Figure 19: Formal Policy/Programs Dedicated to DEI

**Does your organization have a formal policy/program dedicated to diversity, equity and inclusion?**



N = 73

Following the racial injustice reckoning of 2020, members of the business community in Canada and the U.S strengthened their efforts to promote DEI through the development of DEI policies and programs. We asked survey participants whether their organization has developed a formal DEI policy or program to understand where the market is at in 2022.

As shown in Figure 19, approximately two-thirds of participants (68%) have a formal DEI policy or program. Approximately one-quarter (23%) are considering implementing such a policy or program in the future or describe it as a work in progress, and only 8% of participants do not have a formal DEI policy or program and are not presently considering it.

Collectively, 91% of participants either have a formal DEI program/policy or are planning/considering implementing one. This suggests that formal DEI policies and programs are becoming an established norm within the business community. Organizations that have not yet taken action on this front may find it challenging to attract and retain diverse talent, and they may also be exposed to elevated reputational and liability risk if, for example, recruitment practices are not inclusive.

**91%** of participants either have a formal DEI program or policy or are planning/ considering one.

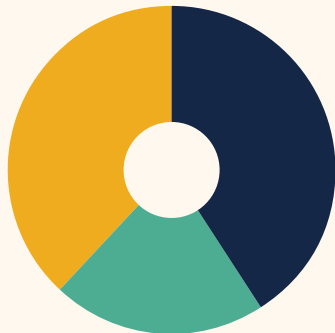




Figures 20 and 21: Diversity Targets for Boards and Senior Management

Figure 20:

**Has your organization established diversity targets for the board of directors?**

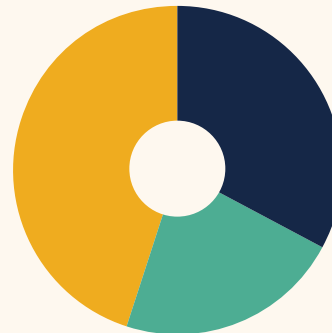


N = 73

■ Yes	<b>41%</b>
■ Work is in progress or under consideration	<b>21%</b>
■ No	<b>38%</b>

Figure 21:

**Has your organization established diversity targets for senior management?**



N = 73

■ Yes	<b>33%</b>
■ Work is in progress or under consideration	<b>22%</b>
■ No	<b>45%</b>

Setting diversity targets for boards and senior management is one of the major steps that organizations can take to demonstrate a commitment to diversity at the top of the house. We asked participants whether their organizations have established such targets.

As shown in Figure 20, 41% of participants have established diversity targets for the board of directors while 21% are considering it or describe it as a work in progress. Thirty-eight percent of respondents have not established diversity targets for the board and are not presently considering it.

With respect to senior management, Figure 21 shows that one-third (33%) of participants have established diversity targets for senior management and 22% are considering it or working on it. Nearly half (45%) of respondents have not established diversity targets for senior management and are not presently considering it.

The divergence between diversity targets established for boards (41%) and senior management (33%) may be attributed to a few factors. First, shareholders' voting and engagement priorities tend to focus on board diversity since investors have more influence on board governance than management appointments. This puts more pressure on boards to take action. Although the shareholder angle only applies directly to public companies, it also applies indirectly to private companies, non-profit organizations, and others since shifting societal norms are not confined to an asset class. It also applies indirectly to institutional investors themselves since they must "walk the talk." Furthermore, boards may be more likely than management teams to set diversity targets because boards that lack diversity may respond to shareholder pressure by introducing a target to demonstrate a future commitment.

Another contributing factor may be the ways in which board and senior management positions are filled. Whereas senior managers often climb the corporate ladder through internal promotions, boards typically cast a wider net when searching for independent directors, and they do so on a schedule defined by the length of directors' terms. Such conditions may provide more fertile ground for the establishment of targets, especially in the context of shareholder pressure.



Finally, we observe that 15 out of 30 participants with board diversity targets are members of the 30% Club, a network of executives that pledge to champion the representation of women on boards and in executive positions within their spheres of influence. This suggests that the 30% Club, and perhaps other non-profit networks, are having a meaningful impact in the market.

Figure 22: DEI Training

### Has your organization provided training to employees on diversity, equity, and inclusion?



N = 73

Education is a key component of realizing a diverse, inclusive, and equitable workforce because learning enables awareness, understanding, and allyship amongst peers with different backgrounds and identities. Anecdotally, we have seen a growing commitment to DEI education within our network since the racial injustice reckoning of 2020, and the new survey data now suggest that most organizations are doing internal DEI training.

As shown in Figure 22, a majority of survey participants (60%) have provided training to employees on diversity, equity and inclusion while 30% of organizations are considering it or describe it as a work in progress. Only 10% of participants have not provided training to employees on DEI and are not presently considering it.

Overall, 90% of participants have either implemented DEI training or are planning/considering doing so. This signals that internal DEI training is likely becoming a new norm for the business community. Organizations that are not considering DEI training at this time may eventually change course as it becomes clear that such training is becoming standard practice at most organizations.

**90%** of participants have either implemented DEI training or are planning/considering doing so.



Figure 23: Third Party DEI Assessments

**Has your organization performed an independent audit or third-party assessment of its practices related to diversity, equity, and inclusion? (e.g. racial equity audit)**



N = 73

Third party assessments of DEI practices, such as racial equity audits or civil rights audits, are relatively new in the business landscape. Such assessments gained momentum in 2020 as businesses faced pressure to address racial disparities in the workforce.

The newness of these audits may help to explain why relatively few organizations have adopted them. As shown in Figure 23, only 21% of survey participants have performed an independent or third-party assessment of their practices related to DEI, while an equal number of participants (21%) are considering it or describe it as a work in progress. Most participants (59%) have not performed an independent audit or third-party assessment and are not presently considering it.

Given the upward trajectory of DEI policies and practices more broadly, we will likely see greater adoption of third-party assessments of DEI practices over time. However, the pace and scale of that adoption will likely be driven by shareholder engagement. If more investors apply pressure to companies in this area, we will likely see more activity. Conversely, if investor support for racial equity and civil rights audits stagnates, then adoption of these assessments will likely stagnate as well.

Only **21%** of participants have performed a third-party assessment of their DEI practices.

**59%** of participants have not performed a third-party assessment of their DEI practices and are not presently considering it.



Figure 24: DEI Measurement

**Has your organization surveyed employees to measure inclusion in the workplace?**

N = 73

As we saw in Figure 19, most participants (68%) have established DEI policies or programs. Once a policy is in place, the logical next step is to measure its outcomes. Therefore, we asked survey participants if they have surveyed their employees to see if their policies are creating inclusive work environments.

Figure 24 shows that a majority of survey participants (53%) have indeed surveyed employees to measure inclusion in the workplace, while about a quarter (23%) of respondents are either working on it or considering it. About one-quarter (23%) have not surveyed employees to measure inclusion in the workplace and are not presently considering it.

### Is measuring inclusion in the work place another emerging norm? The data suggests so.

These data indicate that a slight majority of participants are now measuring inclusion in the workplace. However, the combined number of participants who measure inclusion or are either working on it or considering it sums to a strong majority of approximately three-quarters (76%) of participants. Similar to other observations in this report, these data suggest that we may be seeing an emerging norm with respect to the measurement of inclusion in the workplace.



## The Employee Perspective on DEI: Performance Meets Expectations, So Far

Based on our research, it would appear that employers are responding in alignment with the level of importance employees are placing on DEI as an issue. Further, it appears that they are doing a fairly good job at matching employee expectations for performance.

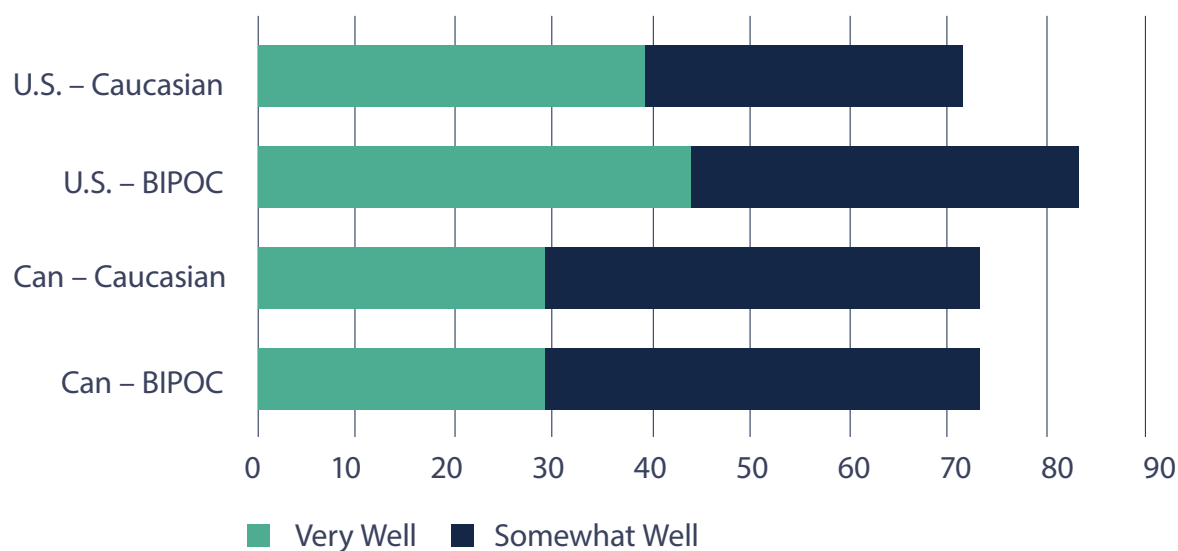
The vast majority of employees in both Canada and the U.S. regard demonstrating a commitment to diversity, equity, and inclusion as somewhat or very important to organizational success (Canada: 78%; USA: 76%). Among both Canadian and U.S. employees, individuals who identify as Black, Indigenous, or a person of colour (BIPOC) are even more likely to rate this issue as somewhat or very important as compared to their Caucasian peers.

Of note, approximately three-quarters of both Canadian and U.S. employees believe their employers are doing either somewhat or very well in demonstrating a commitment to DEI. When we look at Canadian employees, that sentiment is shared fairly equally between BIPOC and Caucasian respondents.

Interestingly, among U.S. employees, BIPOC individuals rate their employer's performance significantly higher on this front than their Caucasian peers. It is hard to explain this finding in the absence of additional research. It is possible that U.S. organizations are more in tune with the needs of BIPOC employees and responding in a way that is particularly meaningful and noticeable to them. However, it is also possible that U.S. organizations had a larger gap to close on DEI issues, and thus changes on this front felt more significant to employees (particularly BIPOC employees, who would be most impacted by changes). In either case, this will be an important trend to follow in the years to come.

Figure 25: U.S. and Canadian Employee Perceptions of Their Organization's Performance Related to DEI

### How well is your employer performing in terms of demonstrating a DEI commitment?





**INTRODUCTION:**

# Indigenous Reconciliation

In 2021, hundreds of unmarked graves of Indigenous children were discovered at former residential schools in Canada, where Indigenous children were sent to be stripped of their families, culture, language, and religion for the purpose of assimilating them into Western society. Similar institutions existed in the United States, known as American Indian boarding schools.



These discoveries sparked a renewed focus on reconciliation, which Canada's Truth and Reconciliation Commission defined as follows:

“ **Reconciliation is about establishing and maintaining a mutually **respectful** relationship between Aboriginal and non-Aboriginal peoples in this country. In order for that to happen, there has to be **awareness** of the past, an **acknowledgement** of the harm that has been inflicted, atonement for the causes, and action to change behaviour.** ”

In 2015, the Commission proposed 94 actions to advance reconciliation, including Call to Action #92 which is directed at the business community and detailed in the box below. In this section, we examine several themes that flow from Call to Action #92 including educating employees about Indigenous history, Indigenous recruitment and youth development programs, publicly supporting the rights of Indigenous Peoples, and procurement from Indigenous suppliers.

## Canada's Truth and Reconciliation Commission Call to Action #92

We call upon the corporate sector in Canada to adopt the United Nations Declaration on the Rights of Indigenous Peoples as a reconciliation framework and to apply its principles, norms, and standards to corporate policy and core operational activities involving Indigenous peoples and their lands and resources. This would include, but not be limited to, the following:

- Commit to meaningful consultation, building respectful relationships, and obtaining the free, prior, and informed consent of Indigenous peoples before proceeding with economic development projects.
- Ensure that Aboriginal peoples have equitable access to jobs, training, and education opportunities in the corporate sector, and that Aboriginal communities gain long-term sustainable benefits from economic development projects.
- Provide education for management and staff on the history of Aboriginal peoples, including 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. This will require skills based training in intercultural competency, conflict resolution, human rights, and anti-racism.

# Results

Figure 26: Indigenous Education for Employees

## Has your organization provided training to employees on the history and/or rights of Indigenous Peoples?



N = 69

Providing education for leaders and staff on the history of Indigenous peoples is one of the primary directives issued by Canada's Truth and Reconciliation Commission targeting the business sector. As the Honourable Murray Sinclair stated: *"Education is what got us into this mess, and education will get us out."*

We asked survey participants whether they provided training to their employees on the history and/or rights of Indigenous Peoples as a foundational step in addressing Indigenous rights and reconciliation within their organizations. For clarity, we provided examples for reference including education about reconciliation, Canadian Residential Schools, American Indian Boarding Schools, and the UN Declaration on the Rights of Indigenous Peoples (UNDRIP).

As shown in Figure 26, a majority of survey participants (55%) have provided training to their employees on the history and/or rights of Indigenous Peoples while nearly one-quarter (22%) are considering it or working on it. Approximately one-quarter (23%) have not provided Indigenous training to employees and are not presently considering it.

The combined proportion of participants who have either provided training on Indigenous issues or are working on it or considering it sums to approximately three-quarters (77%) of participants. This signals that education of this nature is commonly practiced and championed within the business community.

It is worth noting that there was no correlation between the location of participants' headquarters (Canada, U.S., or Global) and their responses to this question.

Figure 27: Public Support for Indigenous Rights

### Has your organization taken formal actions to publicly support the rights of Indigenous Peoples?



N = 69

We asked survey participants whether their organizations have taken formal actions to publicly support the rights of Indigenous Peoples. For clarity, we provided several examples including development of a Reconciliation Action Plan, showing public support for UNDRIP, or responding directly to the Truth and Reconciliation Commission's Call to Action #92, which calls upon the business sector "to adopt the United Nations Declaration on the Rights of Indigenous Peoples as a reconciliation framework and to apply its principles, norms, and standards to corporate policy and core operational activities involving Indigenous peoples and their lands and resources."<sup>8</sup>

As shown in Figure 27, 39% of participants have taken formal actions to publicly support the rights of Indigenous Peoples, while 26% are considering it or describe it as a work in progress. About one-third (35%) of participants have not taken formal actions to publicly support the rights of Indigenous Peoples and are not presently considering it.

Similar to the previous question about education, there was no correlation between the location of participants' headquarters and their responses to this question.

<sup>8</sup> Truth and Reconciliation Commission of Canada: [Calls to Action](#). (2015).



These data highlight a gap between internal and external support for Indigenous rights. Whereas a majority of participants (55%) have trained their employees on Indigenous rights internally, a minority (39%) have publicly declared support for Indigenous rights. In other words, most organizations are treating the matter seriously enough to educate their employees but have refrained from making external commitments. This trend is interesting and challenging to explain. We can speculate that it may be attributed to: (a) different or competing perspectives on the value of public commitments; (b) uncertainty about what a public commitment would require, in practice, and how to pursue one authentically; or (c) varying degrees of conviction with respect to reconciliation. The latter point may be overly cynical as most organizations are educating their employees on the subject internally, which is an important step. However, it's important to note that public commitments attract scrutiny and necessitate accountability measures—both of which may feel daunting to organizations at this stage in their journey.

**While most organizations treat Indigenous rights seriously enough to educate their employees, they have refrained from making external commitments.**

*Figures 28 & 29: Indigenous Talent Recruitment & Development*

Figure 28:

**Does your organization have a talent recruitment program specific to Indigenous Peoples?**



N = 69

■ Yes	<b>26%</b>
■ Work is in progress or under consideration	<b>28%</b>
■ No	<b>46%</b>

Figure 29:

**Does your organization have a program to invest in the advancement of Indigenous youth?**



N = 69

■ Yes	<b>26%</b>
■ Work is in progress or under consideration	<b>25%</b>
■ No	<b>49%</b>

Indigenous Peoples make up 4.9% of Canada’s population<sup>9</sup> but hold only 0.3% of board seats and 0.2% of senior management positions among Canadian public companies governed by the Canada Business Corporations Act (CBCA).<sup>10</sup> Indigenous Peoples represent 2.9% of the U.S. population<sup>11</sup>, although data covering their representation in corporate leadership is scarce. A 2022 Associated Press article citing an estimate by Deloitte noted that Indigenous representation on the boards of U.S. publicly listed companies is “less than one-tenth of 1%”.<sup>12</sup> These data make clear that Indigenous Peoples are extremely underrepresented in corporate leadership.

This underrepresentation is the result of centuries of marginalization and oppression of Indigenous Peoples, for example through the Residential School system in Canada and American Indian Boarding Schools in the U.S., where Indigenous children were stripped of their languages, cultures, and families. The result is a legacy of intergenerational trauma and limited access to financial and economic resources among many Indigenous communities.

Against that backdrop, organizations that are committed to reconciliation and DEI are increasingly implementing programs to recruit Indigenous talent and support the advancement of Indigenous youth, the latter of which includes internships, scholarships, and mentorship programs to enable a future talent pipeline and a potential path to corporate leadership. We asked survey participants to let us know whether their organizations have developed such programs.

As shown in Figure 28, 26% of survey participants have an Indigenous talent recruitment program, while 28% are considering such a program or describe it as a work in progress. Nearly half of respondents (46%) do not currently have a talent recruitment program specific to Indigenous Peoples and are not presently considering it.

Similarly, Figure 29 shows that 26% of participants have a program to invest in Indigenous youth, while 25% are considering it or working on it. Approximately half of participants (49%) do not have a program of this nature and are not presently considering it.



**Missed Opportunity:**  
 Nearly half of respondents do not have, and are not considering, an Indigenous talent recruitment program.

<sup>9</sup> Indigenous Services Canada (2020). Annual Report to Parliament.

<sup>10</sup> Osler, Hoskin & Harcourt LLP (2021). Corporations Canada reports on first year of diversity disclosure (And it’s not good), by Andrew MacDougall.

<sup>11</sup> U.S. Census Bureau (2020). Census Results on Race and Ethnicity.

<sup>12</sup> U.S. News & World Report (2022). Indigenous Representation Lacking on U.S. Corporate Boards, by the Associated Press.

These data are unsurprising given that such targeted programs are relatively new, and do not yet constitute a norm within the business community. However, organizations with a high conviction stance on reconciliation are laying the groundwork for others to learn from, and possibly to emulate in the future. This will be a trend to watch in the coming months and years.

Figure 30: Procurement From Indigenous Suppliers

**Does your organization have a policy or program to procure from Indigenous suppliers?**



N = 69

Another action that organizations can take to support reconciliation is to procure supplies from Indigenous-owned businesses. As shown in Figure 30, 22% of survey participants have a policy or program to procure from Indigenous suppliers, while 30% are considering or working on such a program. Approximately half (48%) of respondents do not have an Indigenous procurement policy or program and are not presently considering it.

Similar to our analysis of the data presented in Figures 28 and 29 above, Indigenous procurement policies are relatively new and do not reflect common practice within the business community. Those with a high-conviction stance on reconciliation are laying the groundwork for others to follow, and this will be a trend to watch in the months and years ahead.

## The Employee Perspective on Indigenous Rights and Opportunities: A Cultural Divide

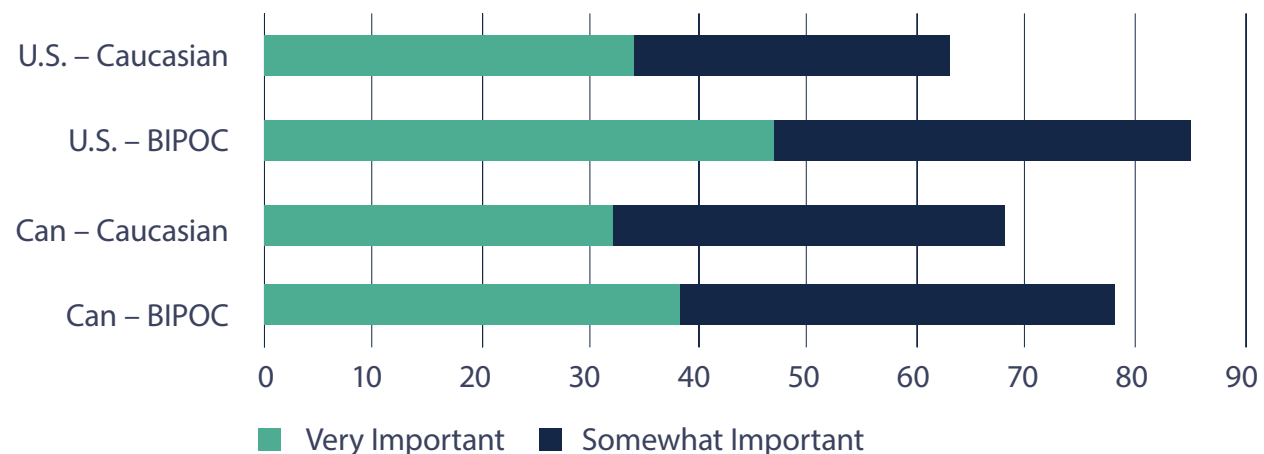
When asked how important it is to them, as an employee, for their organization to demonstrate a commitment to support the rights of, and opportunities for, Indigenous Peoples, the majority of respondents (~70%) in both Canada and the U.S. noted that this is either somewhat or very important to them. What is notable about this finding is that (a) Indigenous rights has the smallest majority of support compared to the other social priorities we tested and (b) there is virtually no difference between how Canadian employees and U.S. employees responded to this question, despite the fact that dialogues around Indigenous rights and reconciliation have been more prominent in Canada than in the U.S.

BIPOC respondents assign significantly higher importance to Indigenous rights and opportunities than their Caucasian peers.

Interestingly, when we break down this data between BIPOC and Caucasian employees in the U.S. and Canada, we see a different picture. BIPOC respondents in the U.S. and Canada are far more likely to rate Indigenous rights and opportunities as a matter of importance than their Caucasian peers. Indeed, BIPOC respondents in the U.S. appear to feel more strongly about this issue even than their Canadian BIPOC counterparts. This suggests a significant difference in the expectations between BIPOC and non-BIPOC employees, which is worth noting for employers who aim to create more inclusive organizations.

Figure 31: Importance of Indigenous Rights and Opportunities to U.S. and Canadian Employees

**How important is it that your organization demonstrate a commitment to supporting rights and opportunities for Indigenous peoples?**

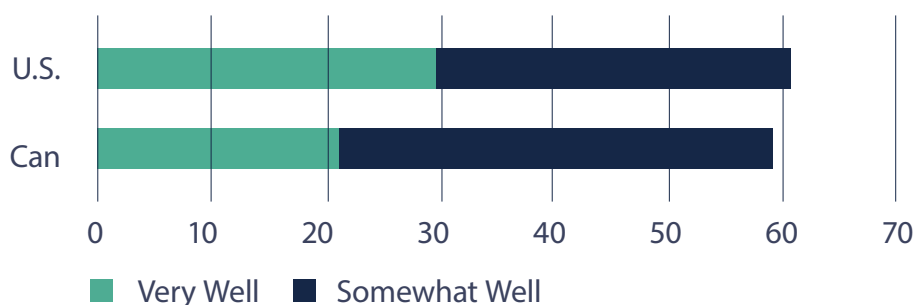




Overall, a small majority of employees in both Canada (59%) and the U.S. (61%) agree that their organizations are performing well or very well when it comes to demonstrating a commitment to Indigenous rights and opportunities. Again, the extent to which Canadian and U.S. employees align on this issue is surprising given its prominence in Canada versus the U.S.

Figure 32: Employee Perceptions of Performance on Indigenous Rights and Opportunities

### How well is your organization performing in terms of demonstrating a commitment to Indigenous rights and opportunities?

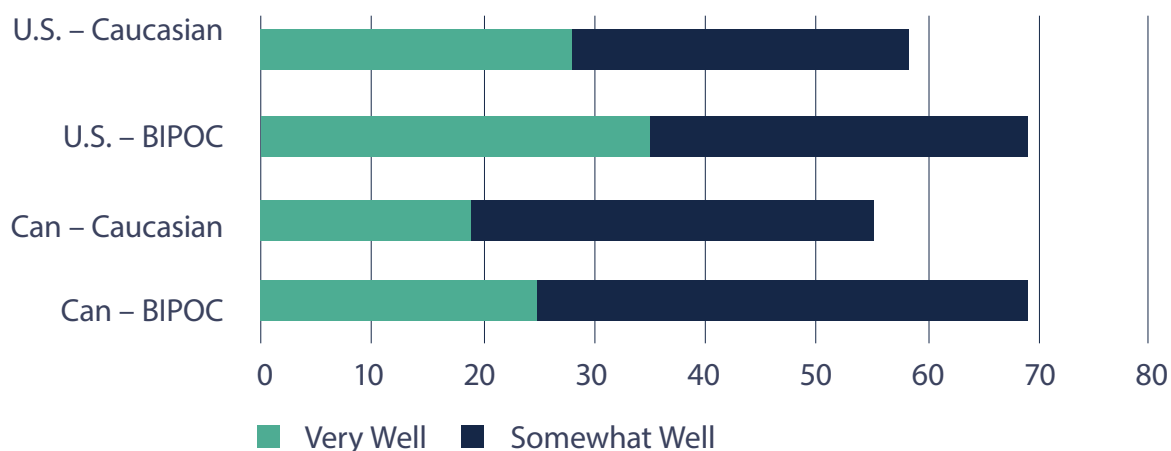


What's even more surprising is that U.S. employees, particularly U.S. BIPOC employees, are more likely to give positive marks for performance on this front than their Canadian counterparts. Are BIPOC employees in the U.S. actually more satisfied with corporate performance on this issue than their Caucasian peers? Or are they simply more encouraged by the foundational steps organizations are taking, following a long history of having been ignored? It is impossible to discern the answer from this data. However, a significant takeaway for organizations is that it appears that early efforts on this front are being noted and valued—and that should be encouraging to all embarking on this journey.

It appears that organizations' early efforts on Indigenous rights are being noted and valued.

Figure 33: Employee Perceptions of Performance on Indigenous Rights and Opportunities, by Group

### How well is your organization performing in terms of demonstrating a commitment to Indigenous rights and opportunities?



## INTRODUCTION:

# Human Rights

Human rights have been codified by the United Nations for decades and substantial work has been done to map the protection of human rights to business conduct, for example through the UN Guiding Principles for Business and Human Rights. As human rights represent the most fundamental of social issues, we felt it was imperative to include questions about human rights in this survey. This section covers organizational policies and practices related to human rights.

# Results

Figures 34 & 35: Human Rights Policies

Figure 34:

**Does your organization have a human rights policy?**



N = 71

■ Yes	<b>48%</b>
■ Work is in progress or under consideration	<b>18%</b>
■ No	<b>34%</b>

Figure 35:

**Does your human rights policy extend to your supply chain?**



N = 34

■ Yes	<b>47%</b>
■ Work is in progress or under consideration	<b>35%</b>
■ No	<b>18%</b>

The human rights section of our survey started with a question about policy. We asked each participant if their organization has a human rights policy, and if so, does this policy extend to their supply chain? The results are presented in Figures 34 and 35, respectively. Note that the sample for Figure 35 comprises only the 34 (or 48% of) participants who reported that they currently have a human rights policy.

Approximately half (48%) of participants have adopted a human rights policy, while 18% said they are considering it or working on it. About one-third (34%) of participants do not have a human rights policy and are not presently considering it.

We note that there is a relatively large proportion of participants (34%) that do not currently have a human rights policy and are not considering it. This may be explained by the fact that the vast majority (79% of this subgroup) are based in Canada or the U.S. with operations primarily in their regions. This may help to explain why such policies are not prioritized amongst this cohort, since



**Finding:**

1/3 of participants do not have a human rights policy



**One explanation:**

The vast majority of participants have operations only in North America



**Question:**

Are human rights policies only essential for organizations with global supply chains?

procurement is likely taking place within local or regional networks. As a result, these participants may perceive a human rights policy to be less critical relative to organizations with global supply chains.

As shown in Figure 35, among the 34 participants that currently have human rights policies, nearly half (47%) said these policies extend to their supply chains. Approximately one-third of this subgroup (35%) said they are either considering or working on extending their human rights policy to their supply chain, while 18% said the policy does not apply to their supply chain and they are not considering it. Among the 6 (or 18%) of respondents that have a human rights policy but do not extend it to their supply chain and are not considering doing so, 3 are non-profit organizations, 2 are companies operating in North America. There was only one global company with a human rights policy that does not extend to its supply chain.

Figure 36: Human Rights Policies for Investors

**Investors: Do you have a human rights policy covering your investment process?**



N = 16

Institutional investors are a unique group when it comes to human rights because they typically don't have large or complex supply chains, but their capital can be deployed in ways that support or conflict with human rights. Therefore, we asked investor participants whether they have a human rights policy covering their investment process.

Note that, although 14 survey participants self-identified as "institutional investors" at the outset of this survey, several participants in the financial services sector have asset management divisions within their organizations, 3 of whom responded to this question alongside 13 participants who formally identified as institutional investors at the outset of the survey.

As shown in Figure 36, nearly one-third of respondents (31%) have a human rights policy that applies to their investment process, while one-quarter (25%) are considering or working on such a policy. Close to half (44%) do not have a human rights policy covering their investment process and are not presently considering it.

Combined, 69% of investor respondents to this question do not currently have a human rights policy covering their investment process. These data point to a potential risk among this cohort as their portfolios may be exposed to human rights issues, which can lead to tragic outcomes and serious headline risks as we unfortunately learned from the Rana Plaza factory collapse nearly a decade ago.



Figure 37: Human Rights Due Diligence

**Does your organization follow a formal human rights due diligence process? (e.g. UN Guiding Principles on Business and Human Rights)**



N = 71

We asked each survey participant whether their organization follows a formal human rights due diligence process to ensure the protection of human rights in their business operations and supply chains. As presented in Figure 37, approximately one-quarter of survey participants (24%) follow a formal human rights due diligence process while 20% are considering it or work on it. Most survey participants (56%) do not have a formal human rights due diligence process and are not presently considering it.

Among the 40 participants (56%) who do not have a formal human rights due diligence process, only 8 operate globally while the others operate primarily in North America. As discussed with respect to the data presented in Figure 37, the fact that 32 out of 40 participants without a human rights due diligence process do not operate globally may help to explain the limited adoption. Essentially, operations and procurement are likely taking place within smaller and more regional networks where there may be less perceived need for such a process.

With a growing focus on human rights issues at the domestic level, farsighted organizations will contemplate greater human rights due diligence in both domestic and international operations. Internationally, there has been growing momentum towards mandatory human rights due diligence. For example, the European Union (EU) has introduced legislation that would require large companies that are based in or operate in the EU “to identify and, where necessary, prevent, end or mitigate adverse impacts of their activities on human rights, such as child labour and exploitation of workers.”<sup>13</sup> The United Kingdom ratified its Modern Slavery Act in 2015, while Canada’s Senate has recently tabled Bill S-211, the Fighting Against Forced Labour and Child Labour in Supply Chains Act.

**Within this context of growing human rights legislation, organizations that are not performing due diligence now may find themselves exposed to risks or a larger compliance burden if new laws impact their businesses.**

<sup>13</sup> European Commission (2022). Just and sustainable economy: Commission lays down rules for companies to respect human rights and environment in global value chains.

## The Employee Perspective on Human Rights: A Personal Priority

The vast majority of U.S. and Canadian employees (83% in both countries) agree that it is personally very or somewhat important to them that their organization protect human rights through its operations, processes and supply chains. Interestingly, employees in both countries, but more so in the U.S., see human rights as somewhat more important to them personally than to the future success of their organizations. Human rights is the only category where we see any statistically relevant difference between these two measures: *what matters to me as an employee versus what matters to the success of my organization*.

One explanation could be a gap in employee education or communication around the material implications of human rights issues. Employees simply may not be aware of the financial materiality of human rights issues.

Figure 38: Importance of Human Rights to Employees Personally vs to Their Organization's Success

### Protection of human rights through operations, processes, and supply chains

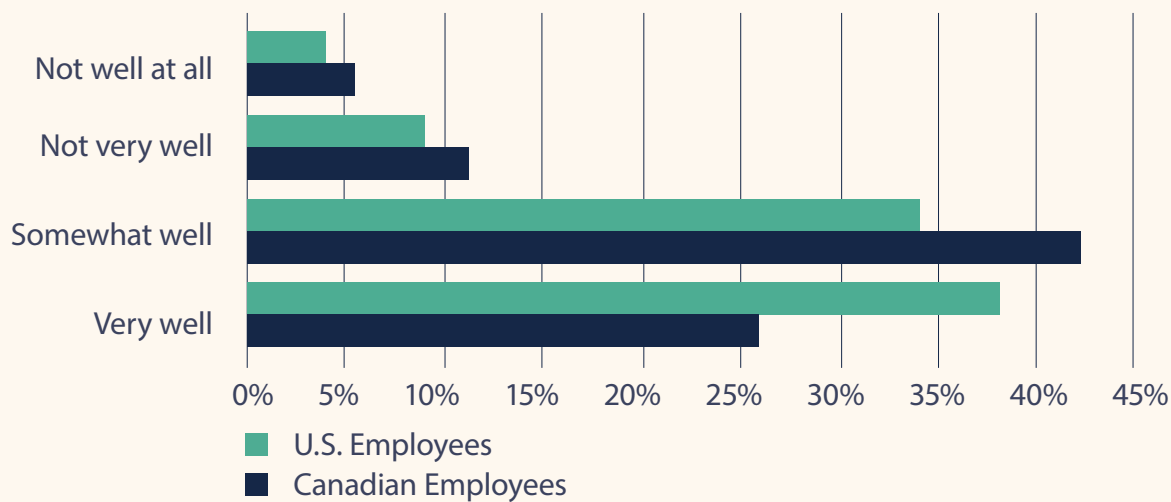


Similar to DEI, a large majority of employees in both Canada and the U.S. give their organizations fairly high marks on human rights performance – but here, too, there is a gap between expectations and performance.

Consistent with the trend in responses to other survey questions, U.S. employees tend to be more favourable in their assessments of their employers than their Canadian peers. Among U.S. respondents, 73% believe their organization is performing very or somewhat well on human rights, compared with 68% of Canadian respondents.

Figure 39: U.S. vs Canadian Employee Perceptions of Organizational Performance on Human Rights

**How well do you think your organizations performs in regard to protecting human rights through its operations, processes, and supply chain?**



# Uneven Results: The Social Performance Spectrum

After collecting the survey data, we wondered: Do organizations with a high level of conviction in one area of social practices tend to be high conviction across *all* social practices? Or do organizations have high conviction in some areas more than others?

To answer this question, we analyzed survey participants' responses to the trinary questions where the three response options were: *Yes*, *No*, or *Work is in Progress* or *Under Consideration*. For the purpose of this exercise, *Yes* responses were deemed to reflect a high level of conviction for a given practice while *Work is in Progress* or *Under Consideration* was deemed to reflect a mid-range level of conviction, and *No* was deemed to reflect a lower level of conviction for a given practice.

For example, a survey participant that responded *Yes* to the question, "*Does your organization have a formal policy/program dedicated to DEI?*" was assigned a high level of conviction for DEI policies/programs. A participant that responded "*No*" was assigned a low level of conviction for DEI policies/programs.

Next, we identified nine survey participants with the highest level of conviction across all questions, meaning they responded *Yes* to the highest number of trinary questions throughout the survey. These participants are listed anonymously in Figure 40, where Participant A responded *Yes* to 95% of the trinary questions, Participant D responded *Yes* to 85% of the trinary questions, and so forth.

As shown in the table, we divided their responses into six themes covered in this survey: governance & strategy, human capital management, employee health & safety, DEI, Indigenous reconciliation, and human rights. Those who responded *Yes* to all questions within a given theme are indicated with a green cell for that theme. Those who responded *Yes* to some but not all questions in a given theme are marked with a yellow cell, while those who responded *No* to all questions within a given theme are marked with a red cell.

We can draw several conclusions from the analysis presented in Figure 40. First, no participants were high conviction across all the survey questions. This tells us that no organization is exemplary across the board; all are on a spectrum or a journey with respect to social practices and social performance management.

**No organization is exemplary across the board. All are on a spectrum or a journey.**

Second, only 9 out of 73 participants had a high level of conviction for 75% or more of the trinary questions in this survey. This amplifies the first point; organizations are on a wide spectrum when it comes to social practices.



Third, we can see that the nine highest-conviction organizations within our sample tend to be more advanced in the areas of human capital management and employee health & safety, as these are the columns with the highest levels of conviction as reflected by the green cells. This supports the notion that organizations are focusing on their people in the post-pandemic world. It is also not surprising since those two themes are often tied to executive compensation, as presented earlier in Figure 6. Although we acknowledge the dataset for executive compensation is taken from a different sample and comprises only U.S. public companies, it is a useful proxy for observing general trends in compensation practices among businesses operating in North America.

Fourth, we can see that DEI and Indigenous reconciliation are the themes where the some of the highest conviction survey participants tend to have more moderate levels of conviction. In other words, DEI and reconciliation are less well-developed practice areas, even amongst organizations that are highly committed to social practices. Interestingly, as shown in Figure 6, DEI is the social theme that tends to be most often linked to executive compensation. We therefore speculate that DEI and reconciliation are less well developed due to their relative newness as focus areas for businesses. Moreover, due to a lack of benchmarks covering all social practices, market participants may not be aware of what constitutes leading or high conviction practices across all aspects of social performance. Our research helps to fill that gap.

While the highest conviction organizations show advanced commitments to human capital management and employee health and safety, their commitments to DEI and Indigenous reconciliation are less mature.

Figure 40: High Conviction Analysis

Organization	% High Conviction	Governance & Strategy	Human Capital Mgmt.	Employee Health & Safety	DEI	Indigenous Reconciliation	Human Rights
Participant A	95%	High Conviction	High Conviction	Mid-Level Conviction	High Conviction	High Conviction	High Conviction
Participant B	95%	High Conviction	Low Conviction	High Conviction	High Conviction	High Conviction	High Conviction
Participant C	90%	High Conviction	High Conviction	High Conviction	High Conviction	Mid-Level Conviction	High Conviction
Participant D	85%	High Conviction	High Conviction	High Conviction	Mid-Level Conviction	Mid-Level Conviction	High Conviction
Participant E	85%	Mid-Level Conviction	High Conviction	High Conviction	Mid-Level Conviction	High Conviction	High Conviction
Participant F	85%	High Conviction	High Conviction	High Conviction	Mid-Level Conviction	High Conviction	Mid-Level Conviction
Participant G	85%	High Conviction	High Conviction	High Conviction	Mid-Level Conviction	Mid-Level Conviction	High Conviction
Participant H	80%	High Conviction	High Conviction	High Conviction	High Conviction	Mid-Level Conviction	Mid-Level Conviction
Participant I	75%	Low Conviction	High Conviction	High Conviction	Mid-Level Conviction	Mid-Level Conviction	Mid-Level Conviction

High Conviction
  Mid-Level Conviction
  Low Conviction

# The Three Zones of Social Performance

We wanted to understand and articulate the specific actions that constitute standard practice in the social sphere. So, we analyzed the aggregated survey data to identify which social practices are most widely adopted and which are least adopted. We propose that there are three “zones” of social performance, as follows:

- **Zone 1:** Table Stakes – Practices adopted by a strong majority ( $\geq 60\%$ ) of survey participants and represent business imperatives for organizations aiming to position themselves as leaders.
- **Zone 2:** Emerging Priorities – Practices adopted by roughly half (40-59%) of participants and represent emerging priorities.
- **Zone 3:** Opportunities – Practices implemented by a minority ( $\leq 39\%$ ) of “early adopters” and represent opportunities for growth.

Our findings are shown in Figure 41 on page 67. As shown in the table, practices that we’ve categorized under human capital management and employee health and safety are most widely adopted, which is consistent with our thesis that organizations have strengthened their focus on their people following the pandemic and cultural reckonings. Social practices related to governance and strategy are adopted by a middle range of participants, while practices related to human rights and Indigenous reconciliation are not widely adopted. DEI practices are unique in that they fall into all three zones, with foundational practices such as DEI policies and DEI training seeing wide adoption, while more outcome-focused practices such as diversity targets and third-party assessments are adopted by few participants.

## This analysis reveals four critical insights:

1. The rise of “S” is uneven, and so is organizational performance. While there is an established body of knowledge and best practices for the traditional elements of managing human capital, organizational responses to complex and quickly evolving social issues – such as DEI, human rights, and Indigenous reconciliation- are lagging. These themes represent opportunities for organizations to position themselves as leaders and drive the market forward.
2. There’s momentum behind a “social risk” lens. Most organizations are either adopting or considering formal oversight of social risks at the top of the house via the board of directors and/or enterprise risk management frameworks. Organizations that are not adopting or exploring social risk governance may fall behind their peers while market leaders set the pace.
3. Getting the table stakes right is critical in the war for talent. Employees assign a high level of importance to the following social issues: training and development, investments in their physical and mental well-being, and DEI commitments. These have become “table stakes” value propositions among organizations, and those who fail to adopt them are gambling with their talent.
4. Organizations are missing opportunities for real world impact. From Indigenous recruitment and procurement to diversity targets for management and human rights policies for supply chains, organizations are lagging the most on the actions most aligned with driving tangible social outcomes. Identifying and addressing barriers to progress in these areas is critical for organizations that want to effectively manage their exposure to social risks, tap into opportunities, and create long-term value.

Figure 41: Three Zones of Social Performance

<b>Zone 1:</b> <b>Table Stakes</b> (≥60% adoption)	<b>Zone 2:</b> <b>Emerging Priorities</b> (40-59% adoption)	<b>Zone 3:</b> <b>Opportunities</b> (≤39% adoption)
Flexible or hybrid workplace	Board oversight of social risks	Human rights policy for supply chain
Training & development opportunities	Social risks incorporated into ERM	Human rights policy for investments
Measuring/promoting employee engagement	Human rights policy	Human rights due diligence process
Strengthening focus on employee health & safety since pandemic	Reconciliation training for employees	Public support for Indigenous rights
Mental health & wellness benefits/perks	Diversity targets for board	Indigenous recruitment program
Physical health & fitness benefits/perks	Measuring inclusion in workplace	Indigenous youth advancement program
Formal DEI policies/programs		Procurement from Indigenous suppliers
DEI training for employees		Diversity targets for senior management
		Third Party DEI Assessments

 Human Capital Mgmt.	 Health & Safety	 Diversity, Equity & Inclusion
 Governance & Strategy	 Human Rights	 Indigenous Reconciliation

# Key Recommendations

Reflecting on this research and the four critical insights revealed in the previous section, we make the following recommendations for organizations that wish to strengthen their social practices and position themselves as leaders on the increasingly important 'S' in ESG:

**Recommendation 1:** Organizations seeking to lead on social issues must do so with authenticity. A thoughtful approach to social issues requires organizations to engage with internal and external communities to identify key issues and expectations for short-, medium- and long-term action. Leading organizations acknowledge that perfection is not the end objective. Rather, leaders demonstrate the courage to make progress on social issues over time, rather than waiting until best practices are defined by others.

**Recommendation 2:** Leading organizations acknowledge that social issues can pose material financial risks, if not proactively identified and managed. Organizations should not wait until risk events occur as the reputational and brand impacts alone can be significant and long-lasting. Leading companies should proactively apply a social risk lens to all strategic and operational decisions, including the allocation of capital and internal resources. A proactive approach to social risk management will enhance the resilience of companies over the long term, and avoid costly risk events by building trust with internal and external communities.

**Recommendation 3:** While organizations must consider multiple audiences and issues when developing and communicating their social practices, no organization can avoid human capital issues since all organizations require people to work within them, supply them, and purchase from them. As such, talent acquisition and retention should be a primary focus. Increasing understanding of what matters to current and future employees, and integrating that knowledge into employee engagement, retention and recruitment strategies is key.

**Recommendation 4:** Leading organizations can initiate pilot projects to build the business case for real world social impact. The findings from pilot projects can be used to scale-up investments in social practices and support the development of best practices. Leaders have an opportunity to contribute to the eventual development of global standards to communicate to stakeholders on real world impacts of social investments.







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