

Advancing Reconciliation in Canada

A GUIDE FOR INVESTORS



RRII

Reconciliation &
Responsible Investment
Initiative

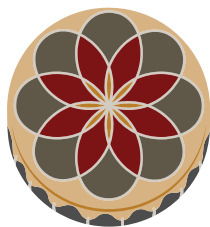
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RRII

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Responsible Investment
Initiative



This publication was produced as part of the **Reconciliation and Responsible Investment Initiative (RRII)** – a partnership between the National Aboriginal Trust Officers Association ([NATOA](http://natoa.ca)) and the Shareholder Association for Research and Education ([SHARE](http://share.ca)). NATOA is a charitable organization committed to providing Indigenous peoples with the resources and information that will help them efficiently create, manage, and operate trusts as a means to ensure the seven generations yet unborn can benefit from the goals and dreams of the present generation. SHARE is a national non-profit organization dedicated to mobilizing investor leadership for a sustainable, inclusive

and productive economy. Together, we are working with Canadian institutional investors to promote responsible investment policies and practices that include reconciliation goals. We believe that, together, both Indigenous and non-Indigenous investors can build capital markets that integrate and better align with Indigenous values and ways of knowing. Our approach is grounded in the Truth and Reconciliation Commission's Principles of Reconciliation and Call to Action 92 directed at business. Read more about the RRII vision here <http://www.reconciliationandinvestment.ca/vision/>.

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PRINCIPLES OF RECONCILIATION¹

The Truth and Reconciliation Commission of Canada believes that in order for Canada to flourish in the twenty-first century, reconciliation between Aboriginal and non-Aboriginal Canada must be based on the following principles.

- 1 The United Nations Declaration on the Rights of Indigenous Peoples is the framework for reconciliation at all levels and across all sectors of Canadian society.
- 2 First Nations, Inuit, and Métis peoples, as the original peoples of this country and as self-determining peoples, have Treaty, constitutional, and human rights that must be recognized and respected.
- 3 Reconciliation is a process of healing of relationships that requires public truth sharing, apology, and commemoration that acknowledge and redress past harms.
- 4 Reconciliation requires constructive action on addressing the ongoing legacies of colonialism that have had destructive impacts on Aboriginal peoples' education, cultures and languages, health, child welfare, the administration of justice, and economic opportunities and prosperity.
- 5 Reconciliation must create a more equitable and inclusive society by closing the gaps in social, health, and economic outcomes that exist between Aboriginal and non-Aboriginal Canadians.
- 6 All Canadians, as Treaty peoples, share responsibility for establishing and maintaining mutually respectful relationships.
- 7 The perspectives and understandings of Aboriginal Elders and Traditional Knowledge Keepers of the ethics, concepts, and practices of reconciliation are vital to long-term reconciliation.
- 8 Supporting Aboriginal peoples' cultural revitalization and integrating Indigenous knowledge systems, oral histories, laws, protocols, and connections to the land into the reconciliation process are essential.
- 9 Reconciliation requires political will, joint leadership, trust building, accountability, and transparency, as well as a substantial investment of resources.
- 10 Reconciliation requires sustained public education and dialogue, including youth engagement, about the history and legacy of residential schools, Treaties, and Aboriginal rights, as well as the historical and contemporary contributions of Aboriginal peoples to Canadian society

¹ http://nctr.ca/assets/reports/Final%20Reports/Principles_English_Web.pdf



OPENING MESSAGE

In 2015, the National Aboriginal Trust Officers Association (NATOA) and the Shareholder Association for Research and Education (SHARE) began to develop a remarkable partnership; a partnership built on a shared belief that investors have an important role to play in reconciliation. We also have a common mission: to empower Indigenous and non-Indigenous investors to align capital with the principles of reconciliation and to amplify investor voices in support of the Truth and Reconciliation Commission Call to Action 92 addressed to the business community.

In addition to bringing capital to the table, institutional investors can bring their knowledge, experience, and capacity to advocate with the companies that they own, with the institutions they serve, and with the services they use, to improve Indigenous economic outcomes and to contribute to economic empowerment and reconciliation.

We hope this guide helps investment organizations across Canada to think about the role that they can play to advance reconciliation in Canada. By providing tangible steps and case studies, our goal is to impart readers with inspiration about the opportunities that exist to not only talk about reconciliation; but to practice reconciliation.



Mark Sevestre
President
NATOA



Kevin Thomas
Executive Director
SHARE



INTRODUCTION

"Reconciliation must inspire Aboriginal and non-Aboriginal peoples to transform Canadian society so that our children and grandchildren can live together in dignity, peace, and prosperity on these lands we now share."²

Truth and Reconciliation Commission Report

Investors and Reconciliation

In 2015, the Truth and Reconciliation Commission of Canada (TRC) issued its final report on the legacy of colonialism in Canada including residential schools, which affected generations of Indigenous peoples and their relationships with non-Indigenous Canadians. The TRC report provides a roadmap for a reconciliation process aimed at building better relationships between Indigenous and non-Indigenous peoples in Canada. Through its report, the TRC issued 94 specific Calls to Action appealing to all parts of Canadian society, including governments, schools, sports organizations and companies, to make concrete change in society.

In response to the TRC Calls to Action, some individuals and organizations have started to reflect on their own activities and to articulate commitments to participate in reconciliation in their work. For example, a group of Canadian philanthropic and community foundations came together through the Circle on Philanthropy and Aboriginal Peoples to sign a Declaration of Action setting out their pledge to demonstrate leadership on reconciliation by harnessing their voices, networks, projects and resources in support of the TRC Calls to Action.³ Similarly, the Federation of Canadian Municipalities' Big City Mayors' Caucus established a Partnership and Reconciliation Working Group to support and guide the reconciliation efforts of municipalities.⁴ Other sectors of Canadian society including religious organizations, universities and schools have taken similar steps.

Investors also have an important role to play in considering how the recommendations from the Truth and Reconciliation Commission can be honoured within their own institutions and how the calls to action can be reflected in their investment policies and practices. Institutional investors in Canada are responsible for investing one of the largest pools of capital in the country. Pension funds alone oversee an estimated \$1.9 trillion in assets.⁵ Mutual funds are valued at \$1.7 trillion.⁶

² http://nctr.ca/assets/reports/Final%20Reports/Executive_Summary_English_Web.pdf

³ The Circle on Philanthropy and Aboriginal Peoples in Canada, The Philanthropic Community's Declaration of Action, (2015), online at: <http://www.philanthropyandaboriginalpeoples.ca/declaration>.

⁴ Pathways to Reconciliation: Cities respond to the Truth and Reconciliation Commission Calls to Action, (2015), online at: https://fcm.ca/Documents/tools/BCMC/Pathways_to_reconciliation_EN.pdf.

⁵ <https://www150.statcan.gc.ca/n1/daily-quotidien/181213/dq181213c-eng.htm>

⁶ <https://www.ific.ca/en/info/stats-and-facts/>



Pension funds, foundations, religious investors, universities, Indigenous trusts, asset managers and other investment service providers invest capital in all sectors of the Canadian economy and in all regions, including in companies and projects that have direct impacts on Indigenous communities, businesses and territories. Because of this role, investors have an important opportunity to embed reconciliation and Indigenous Peoples' rights into the way they analyze, assess and make investments. They also have an important opportunity to contribute to economic reconciliation and to building the Indigenous economy.

At the same time, as recent experiences demonstrate, both in Canada and internationally, the way companies engage with Indigenous peoples as business partners, employees, and rightsholders have significant implications for companies' operational success in the short and long term. The risks to companies that fail to develop positive relationships with Indigenous peoples are well documented, including reputational damage, regulatory intervention, litigation, project delays and disruptions, shut downs and financial loss.⁷ For example, a world-class mining operation with \$3 to 5 billion in capital expenditures could suffer a cost of roughly \$20 million per week from delayed production due to company-community conflict.⁸

Investors can play a meaningful role in supporting best practice by the companies and projects they invest in to operationalize the free, prior and informed consent (FPIC) of Indigenous peoples regarding development of resources on and near their communities and traditional territories. Investors can also support corporate programs that provide training, employment, advancement and business development opportunities for Indigenous peoples.

The Reconciliation and Responsible Investment Initiative (RRII) was established to facilitate efforts by investors to support reconciliation and to initiate relationships and conversations between Indigenous and non-Indigenous investors about opportunities to work together, to innovate and to creatively address the challenges and constraints that exist.

⁷ United Nations Global Compact, A Business Reference Guide to the United Nations Declaration on the Rights of Indigenous Peoples, (2013), <https://www.unglobalcompact.org/library/541>.

⁸ R. Davis and D. Franks, Costs of Company-Community Conflict in the Extractive Sector, (2014), https://www.csr.uq.edu.au/media/docs/603/Costs_of_Conflict_Davis-Franks.pdf.



Who is this Guide for?

This guide is designed for investment organizations including pension funds, foundations, university endowments, Indigenous trusts, religious investors, asset managers and other investment service providers who are committed to responding to the Truth and Reconciliation Commission's recommendations and Calls to Action.

How to Use this Guide?

The purpose of this guide is to help investors understand, respect and support reconciliation and the rights of Indigenous peoples. It outlines steps that investment organizations can take to get started and to grow their efforts. The guide encourages investors to engage in meaningful consultation and partnership with Indigenous people, communities, organizations, investors and businesses and to adapt the steps discussed here to their distinct situations and contexts. We hope it contributes to a broader awareness and understanding about the legacy of colonialism in Canada among investment organizations and to meaningful conversations about the relationships and partnerships that are possible between Indigenous and non-Indigenous people in Canada.

BOX 1: GLOSSARY

ESG

ESG stands for environmental, social and governance factors.

Economic Reconciliation

Economic reconciliation aims to create meaningful partnerships and mutually beneficial opportunities based on a holistic, values-driven approach to attaining community economic prosperity.

FPIC

FPIC stands for free, prior and informed consent as recognized in the United Nations Declaration on the Rights of Indigenous Peoples.

Proxy Voting

Most company shares carry voting rights. Shareholders can vote their shares by proxy instead of attending company meetings. There are a variety of matters that shareholders vote on each year, including related to Indigenous Peoples' rights.

Shareholder Engagement

This is a strategy that is used to open communications between shareholders and a company. The goal is to improve the ESG performance of the company.

Stewardship

Stewardship practices refer to the ways in which investors use their voice as capital providers and shareholders to influence company practices, and at times government policies and regulations.

UNDRIP

United Nations Declaration on the Rights of Indigenous Peoples



TOWARDS RECONCILIATION: KEY STEPS FOR INVESTORS

"Reconciliation requires constructive action on addressing the ongoing legacies of colonialism that have had destructive impacts on Aboriginal peoples' education, cultures and languages, health, child welfare, administration of justice and economic opportunities and prosperity."

Truth and Reconciliation Commission Calls to Action⁹

Call to Action 92

In June 2015, as part of its final report, the Truth and Reconciliation Commission (TRC) released 94 Calls to Action that aimed to redress the legacy of residential schools and advance the process of reconciliation. Call to Action 92 is directed to the business sector and its recommendations are a useful guide for investors to incorporate reconciliation into their own institutions and in their investment policies and practices.

Institutional investors can support the implementation of Call to Action 92 through both their internal policies and practices and their approach to investment decision making and stewardship.¹⁰ The following outlines five key steps that investors can take to implement a commitment to reconciliation. Each is described in detail in the section below.

⁹ http://nctr.ca/assets/reports/Final%20Reports/Executive_Summary_English_Web.pdf

¹⁰ Stewardship for investors is the active monitoring of investee companies and the exercise of investor rights and responsibilities, including engagement and proxy voting.

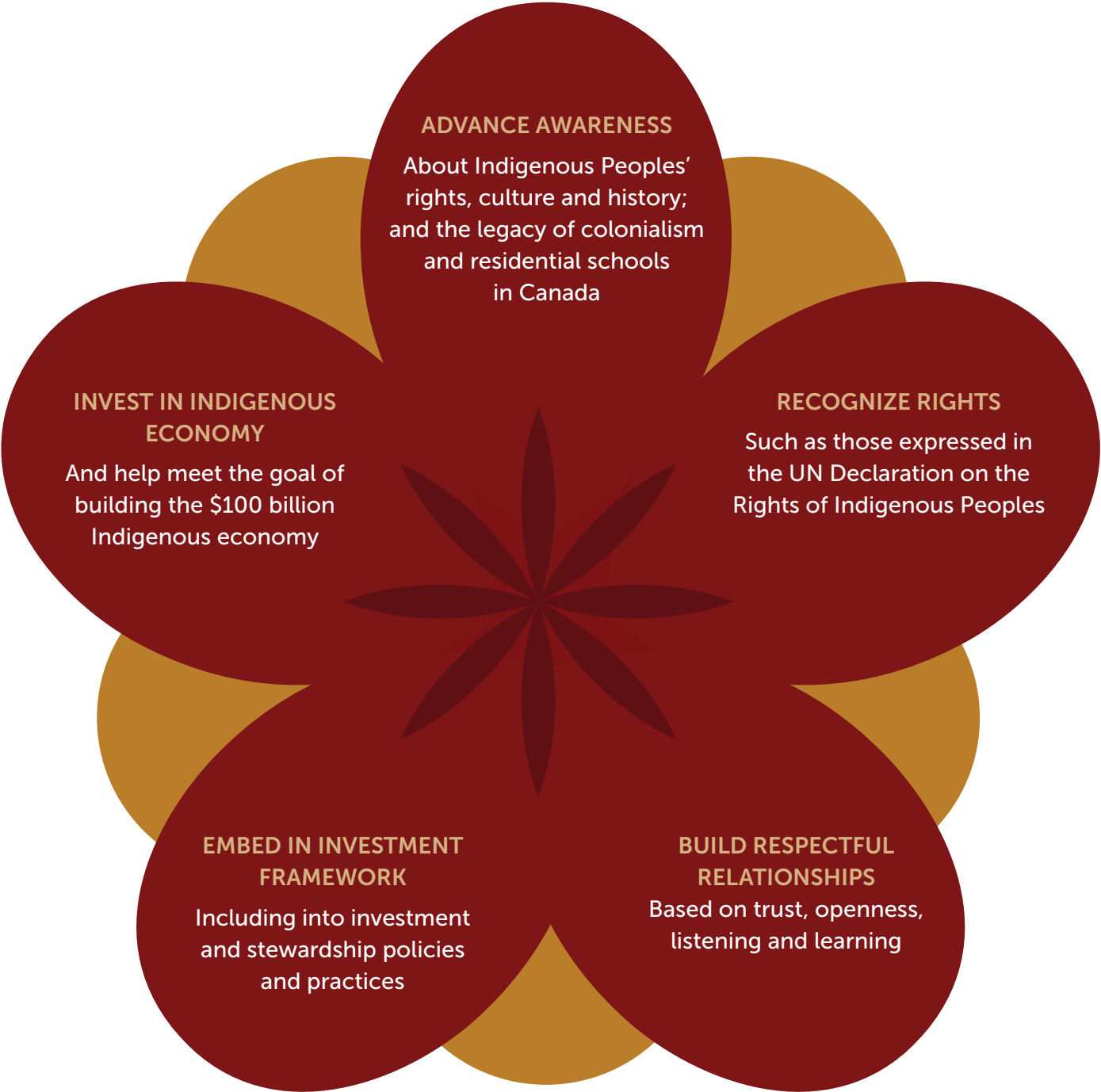
BOX 2: Call to Action 92: Business and Reconciliation

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:

- i. Commit to meaningful consultation, building respectful relationships, and obtaining the free, prior, and informed consent of Indigenous peoples before proceeding with economic development projects.
- ii. 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.
- iii. 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.



Figure 1: Key Steps for Investors Towards Reconciliation



Note: While some of these actions naturally build on others, the individual steps should not be seen necessarily as sequential. For example, Advancing Awareness and Building Respectful Relationships are ongoing processes that require contemplation and assessment. At the same time, your organization may already be investing in Indigenous led businesses even though reconciliation isn't yet embedded in your investment policies.



Step 1: Advance Awareness

For six years, the TRC researched official records and visited communities across Canada to hear testimony about the impacts of residential schools and colonization from more than 6,000 witnesses, most of whom were residential school survivors. To further the healing process and support reconciliation, the TRC Calls to Action address the need for ongoing truth-telling, awareness, commemoration, understanding shared history and skills-based training.

Investment organizations have a role to play in advancing awareness within their own organizations by providing information and ongoing learning opportunities to staff and boards to increase understanding and appreciation of Indigenous history, culture and the legacy of residential schools. Advancing awareness can start by putting up a sign in your front office that acknowledges the traditional Indigenous territory where your office resides. Learning about and practicing Indigenous protocols such as territory acknowledgements at the beginning of meetings and events is another step towards building awareness.¹¹

Some organizations have worked with Indigenous consultants or organizations to develop Indigenous cultural competency training programs customized for their organizations. Others have established working groups to help identify opportunities for ongoing learning, understanding and appreciation for Indigenous histories, cultures and achievements.

¹¹ See for example this resource developed by Indigenous Corporate Training Inc. on the basics of Indigenous protocol, <https://www.ictinc.ca/blog/some-resources-to-help-you-with-indigenous-protocol>.

Box 3: HESTA's Reconciliation Action Plan

In 2015, HESTA became the first industry super fund in Australia to develop a Reconciliation Action Plan. On its website, HESTA acknowledges Aboriginal and Torres Strait Islander peoples as the "Traditional Custodians of the lands on which we come together."

HESTA's vision for Reconciliation is:

We're committed to building community partnerships grounded in respect.

We're working to increase confidence and choice in retirement for all members including Aboriginal and Torres Strait Islander peoples.

We'll advocate for equity outcomes between non-Aboriginal and Aboriginal and Torres Strait Islander peoples.

HESTA is an Australian superannuation fund for health and community services workers. They have over 850,000 members and \$46 billion in assets invested globally.

For more information, visit:
www.hesta.com.au



Investment organizations may want to consider communicating a formal public statement outlining their commitment to reconciliation and specific steps that the organization is taking to advance awareness about Indigenous Peoples' rights, the legacy of residential schools and the history of colonialism in Canada. Investors should consider opportunities to work with local Indigenous leaders and organizations to develop the statement. Box 3 provides a good example of this kind of statement from the superannuation fund HESTA in Australia.

A few ways to advance awareness in your organization are:

- ✓ Learn about and follow Indigenous protocols;
- ✓ Include a component on reconciliation and Indigenous awareness in your orientation and training for new employees;
- ✓ Publish a formal commitment to reconciliation; and
- ✓ Identify opportunities for ongoing learning about Indigenous peoples' history, culture and reconciliation.



Step 2: Recognize Rights

In addition to ongoing truth telling and awareness, the TRC report calls for changed behaviour and the creation of respectful and healthy relationships among people based on recognition of treaty and human rights. The report uses the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) as the framework for reconciliation and recognition of rights.

UNDRIP is the internationally accepted standard for protection of and respect for the individual and collective rights of Indigenous peoples.¹³ In 2010, Canada issued a qualified endorsement of UNDRIP and in 2016, it removed these qualifications and committed to fully implement UNDRIP. Although UNDRIP is directed to states, it sets out principles and norms that can be applied by other sectors, including investors and companies, to help embed respect for Indigenous peoples' rights in policies and practices.¹⁴

Other international protocols and principles also provide important guidance on Indigenous and human rights. The United Nations Guiding Principles on Business and Human Rights provides a valuable framework for thinking about the responsibility companies have to respect and protect Indigenous peoples' rights.¹⁵ The Guiding Principles establish that companies have a responsibility to avoid causing or contributing to adverse human rights impacts through their own activities and addressing any such impacts when they occur. These responsibilities apply in the same way to Indigenous peoples' rights since these are human rights.

¹³ https://www.un.org/development/desa/indigenouspeoples/wp-content/uploads/sites/19/2018/11/UNDRIP_E_web.pdf

¹⁴ See for example, *A Business Reference Guide to the United Nations Declaration on the Rights of Indigenous Peoples* <https://www.unglobalcompact.org/library/541>.

¹⁵ The United Nations Guiding Principles are a framework on human rights for business corporations endorsed by the United Nations Human Rights Council (see text box.).

BOX 4: PROTECT, RESPECT AND REMEDY

The UN Guiding Principles on Business and Human Rights:

Principle 11:

Business enterprises should avoid infringing on the human rights of others and should address adverse human rights impacts with which they are involved.

Principle 13:

The responsibility to respect human rights requires that business enterprises:

- i. Avoid causing or contributing to adverse human rights impacts through their own activities, and address such impacts when they occur;
- ii. Seek to prevent or mitigate adverse human rights impacts that are directly linked to their operations, products or services by their business relationships, even if they have not contributed to those impacts.

https://www.ohchr.org/documents/publications/GuidingprinciplesBusinesshr_eN.pdf



The OECD Guidelines for Multinational Enterprises (the Guidelines) also provide an important international framework for identifying applicable standards for both companies and investors in relation to respecting Indigenous peoples' rights.¹⁶ The Guidelines are recommendations addressed by governments to multinational enterprises operating in or from adhering countries. They provide non-binding principles and standards for responsible business conduct in a global context consistent with applicable laws and internationally recognised standards. The Guidelines are the only multilaterally agreed-upon and comprehensive code of responsible business conduct that governments have committed to promoting. The Guidelines apply to institutional investors, requiring them to conduct effective due diligence of the human rights practices of the entities in which it invests.¹⁷

The Guidelines note that, for enterprises whose operations are at risk of affecting the rights of Indigenous peoples', the relevant United Nations instruments should be adhered to, including UNDRIP.¹⁸ In addition, the guidelines note that "enterprises are encouraged to invest... in training and lifelong learning while ensuring equal opportunities to training for women and other vulnerable groups such as...indigenous peoples."¹⁹ In this way, the Guidelines align closely to the recommendations contained in CTA 92.

¹⁶ Guideline 40, OECD Guidelines for Multinational Enterprises, <http://www.oecd.org/investment/mne/>

¹⁷ OECD, Responsible Business Conduct for Institutional Investors (2017), <https://mneguidelines.oecd.org/RBC-for-Institutional-Investors.pdf>.

¹⁸ See <http://www.oecd.org/daf/inv/mne/48004323.pdf>

¹⁹ Guidelines 58, OECD Guidelines for Multinational Enterprises, <http://www.oecd.org/daf/inv/mne/48004323.pdf>.

²⁰ See https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C169.

Another important international standard related to Indigenous peoples' rights is the International Labour Organization (ILO) Convention 169. ILO Convention 169 recognizes Indigenous peoples' right to self-determination, while setting standards for national governments regarding Indigenous peoples' economic, socio-cultural and political rights, including the right to a land base. Although Canada has not ratified ILO Convention 169, it is among the relevant international instruments established to protect the rights of Indigenous peoples worldwide with particular emphasis on the right to participate in decision-making on activities that may impact their own societies and territories, such as natural resource extraction.²⁰

Box 5: IFC Performance Standards on Indigenous Rights

The International Finance Corporation (IFC) developed Performance Standard 7 to address Indigenous Peoples' rights as part of its broader set of Performance Standards on Environmental and Social Sustainability. Among the objectives of Performance Standard 7 is "to ensure Free, Prior and Informed Consent (FPIC) of the Affected Communities of Indigenous Peoples...and to promote sustainable development benefits and opportunities for Indigenous Peoples in a culturally appropriate manner." These performance standards are directed towards IFC's clients, but also provide guidance for other investors on how to identify, mitigate and manage project risks and impacts.



In light of international standards and the recommendation from the TRC that UNDRIP be the framework for reconciliation, we recommend that internally and in their investment practices, organizations consider the following steps to recognize rights:

- ✓ Adapt investment and stewardship policies to reference UNDRIP as the international standard for Indigenous Peoples' rights and commit the organization to respecting Indigenous Peoples' rights;
- ✓ Develop due diligence processes in investment decision-making to assess actual or potential adverse impacts of sectors, companies and/or projects on Indigenous Peoples' rights; and
- ✓ Communicate expectations to investee companies, projects and entities related to Indigenous Peoples' rights, good faith consultation, free, prior and informed consent and appropriate remediation where adverse impacts on Indigenous Peoples' rights has occurred.²¹

²¹ Adapted from United Nations Declaration on the Rights of Indigenous Peoples: A Business Reference Guide, (2013), <http://solutions-network.org/site-fpic/files/2012/09/UN-declaration-on-IR.pdf>.



Step 3: Build Respectful Relationships

The TRC final report notes that Reconciliation is about rebuilding relationships between Indigenous and non-Indigenous people and that all Canadians share responsibility for establishing and maintaining mutually respectful relationships.

Respectful relationships are built on trust. They are nurtured over time and require people to listen, learn and hold space. Building respectful relationships also requires accountability, transparency and initiative. As the TRC Report states, reconciliation offers a new way of living together.

Investment organizations have numerous opportunities to foster respectful relationships with Indigenous peoples. In addition to bringing capital to help grow the Indigenous economy, about which we will talk more below in “Step 5: Investing in Economic Reconciliation and the Indigenous Economy”, investors have opportunities to establish relationships with Indigenous peoples in their roles as employers and as key actors in the finance sector and more broadly in the Canadian economy.

For example, some investment organizations participate in philanthropic activities such as the provision of scholarships or funding support for charitable activities. There are ways such activities can be aligned more closely with reconciliation. A great resource for those interested in these opportunities is the Circle on Philanthropy, which cultivates conversations and relationships among Indigenous people and philanthropic organizations in Canada (see Box 6 for more details about the Circle).

One of the key recommendations included in Call to Action 92 is to ensure that Indigenous peoples have equitable access to jobs, training, and

BOX 6: The Circle on Philanthropy and Aboriginal Peoples in Canada

The Circle develops programs that foster more and better conversations, connections, and relationships among Aboriginal Peoples and philanthropic organizations; deepen our understanding of key issues in Aboriginal communities such as Aboriginal education, land and people, Aboriginal health; and secure key partnerships and memberships that leverage the Circle’s capacity and reach.

<http://www.philanthropyandaboriginalpeoples.ca/>

educational opportunities. There is a significant role that investment organizations can play to support greater participation by Indigenous people in both their own organizations and in the investment industry more broadly. The first step is to assess hiring practices and to establish plans and targets to improve Indigenous representation in the workforce. In order to encourage Indigenous applicants, investors need to ensure that job information is received by Indigenous organizations, media outlets, educational programs and communities. Some investment organizations are partnering with business and finance programs at universities and with professional associations to explore ways to increase Indigenous participation and to identify opportunities for investors to provide paid internships and mentorships for Indigenous students. Developing such programs in partnership with Indigenous communities and organizations contributes to their success.



Another way that investment organizations can contribute to building respectful relationships and ensuring Indigenous people participate meaningfully in economic reconciliation is through their procurement of goods and services. Indigenous businesses are underrepresented in the supply chains of most Canadian businesses and governments and yet this is a very tangible way for investors to contribute to a more inclusive economy where Indigenous owned businesses can participate and thrive.

We recommend that investment organizations consider the following steps to help build respectful relationships:

- ✓ Assess hiring practices and establish plans and targets to improve Indigenous representation in the workforce;
- ✓ Partner with university business and finance programs and with professional associations (i.e. CFA Institute) to explore ways to increase Indigenous participation;
- ✓ Identify opportunities to provide paid internships and mentorships for Indigenous students;
- ✓ Where applicable, align charitable activities with reconciliation with support from organizations such as the Circle on Philanthropy and Aboriginal Peoples; and
- ✓ Set targets to increase your organizations' procurement from Aboriginal businesses and consider becoming an Aboriginal Procurement Champion (See Box 7 below for more information).

Box 7: Resources for Expanding Your Procurement from Indigenous Businesses

The Canadian Council for Aboriginal Business (CCAB) was founded in 1984 by a small group of visionary business and community leaders committed to the full participation of Aboriginal Peoples in Canada's economy. A national non-partisan/non-profit organization, CCAB offers knowledge, resources and programs to both Aboriginal and non-Aboriginal member companies that foster economic opportunities for Aboriginal Peoples and business across Canada.

CCAB developed its Aboriginal Procurement Strategy based on a Canada-wide survey that showed strong mutual interest from Aboriginal and non-Aboriginal businesses in improving and facilitating procurement opportunities as a key element of economic reconciliation.

Learn more about becoming an Aboriginal Procurement Champion and the Aboriginal Procurement Marketplace here: <https://www.ccab.com/supplychange/>.



Step 4: Integrate Reconciliation into Investment Framework

An important step that investment organizations can take towards reconciliation is to incorporate Indigenous rights and reconciliation targets into investment selection and stewardship policies and practices. A starting point is to reference Indigenous and human rights in existing responsible investment policies, for example, or include UNDRIP among the international standards referred to in engagement and proxy voting policies.

Among the most widespread responsible investment practices being implemented by institutional investors is integrating environmental, social and governance (ESG) factors into investment analysis and decision making.²² Through consideration of ESG factors, investors may adjust their assessment of the future financial performance of a sector for example, or the valuation of individual companies. Others may use ESG data to adjust weights in portfolio construction in order to reduce downside risk or enhance portfolio returns.

In order to include reconciliation and Indigenous rights in ESG integration, however, investors need reliable and relevant information on companies' Indigenous rights policies and practices. To date, corporate disclosure on reconciliation and respect for Indigenous peoples' rights is very limited. For example, a 2017 study by SHARE of Canadian corporate reporting related to Call to Action 92 found that few companies have comprehensive policies or provide adequate data for investors to evaluate implementation efforts of Indigenous rights policies and due diligence processes.²³ Additionally, the report found that

BOX 8: Sample Proxy Voting Guidelines on Indigenous Peoples' Rights

- [The fund] will be guided in its proxy voting by the principles that are expressed in international standards including the United Nations Declaration on the Rights of Indigenous Peoples'.
- [The fund] will vote for reasonable proposals that ask companies to commit to meaningful and ongoing consultation with local communities affected by their operations.
- [The fund] will vote for reasonable proposals that ask companies to obtain and maintain free, prior, and informed consent of Indigenous people.
- [The fund] will vote for proposals requesting companies to develop, strengthen or implement a policy or guideline designed to address free, prior and informed consent/consultation from Indigenous peoples.
- [The fund] will vote for proposals asking companies to assess and report on the adoption of policies related to free prior and informed consent by Indigenous peoples.

²² See PRI, A Practical Guide to ESG Integration for Equity Investing, (2016), <https://www.unpri.org/listed-equity/a-practical-guide-to-esg-integration-for-equity-investing/10.article>.

²³ SHARE, Business and Reconciliation: How can investors evaluate efforts of Canadian companies, (2017), https://share.ca/documents/investor_briefs/Social/2017/Business_and_Reconciliation_How_can_investors_evaluate_the_efforts_of_Canadian_public_companies.pdf.



few companies report adequately on strategies to train, recruit and advance Indigenous employees and provide meaningful opportunities for Indigenous contractors. Fewer still include Indigenous ancestry as a criterion in board recruitment policies. This lack of information makes evaluating the performance of publicly-traded companies on reconciliation and respect for Indigenous peoples' rights difficult for investors and ratings agencies.

Currently, Canada has one external certification system for business-aboriginal relations: the Canadian Council for Aboriginal Business's Progressive Aboriginal Relations (PAR) program.²⁴ The PAR program is an excellent resource for investors looking to invest in companies that have developed a comprehensive approach to improving Indigenous economic outcomes in Canada. The PAR program looks at corporate practices in four performance areas: 1) employment; 2) business development; 3) community investment; and 4) community engagement. PAR certification includes a third-party verification process of reported information.

BOX 9: Demonstrating Materiality

The case study, *Social Cost and Material Loss: The Dakota Access Pipeline*, demonstrates that social risk resulting from the absence of adequate human rights protections can have material impacts. The case study shows the following costs resulted from a failure to account for the social risks attendant to the Dakota Access Pipeline controversy:

- Energy Transfer Partner's (ETP) stock declined in value by almost 20% while the S&P 500 increased in value by nearly 35%.
- ETP and other firms with ownership stakes in DAPL incurred not less than \$7.5 billion in costs.
- Banks that financed DAPL lost \$4.4 billion in costs due to account closures, not including reputational damage.
- Taxpayers and local communities incurred at least \$38 million in costs
- The Standing Rock Sioux Tribe incurred about \$3 million in costs.

Full report available at: https://www.colorado.edu/project/fpiep/sites/default/files/attached-files/social_cost_and_material_loss.pdf

Another important way for investors to support reconciliation is through stewardship. Stewardship practices refer to the ways in which investors use their voice as capital providers and shareholders to influence company practices, and at times government policies and regulations. The most common stewardship practices used by investors are shareholder engagement and proxy voting. Shareholder engagement provides an avenue for investors to encourage stronger reconciliation policies and practices by companies. Proxy voting offers an opportunity for investors to vote on proxy ballot issues in ways that are aligned with reconciliation and the UNDRIP.

²⁴ <https://www.ccab.com/programs/progressive-aboriginal-relations-par/>



For example, with leadership from a group of Canadian community and philanthropic foundations and support from its network of investors, SHARE is asking Canadian companies for tangible commitments related to reconciliation. Through these efforts, investors have convinced companies to set targets for employing Indigenous people and to incorporate Indigenous heritage into board diversity criteria. Others have adopted new systems for recognizing Indigenous rights and concerns in the process of making corporate acquisitions. Still others have sought PAR certification after urging by their shareholders.

Some important steps that investors can take to incorporate reconciliation into investment and stewardship are:

- ✓ Discuss with your asset manager how they incorporate Indigenous issues into the selection of assets for your portfolio;
- ✓ Incorporate guidance on Indigenous issues into your proxy voting guidelines. See Box 8 for examples of specific guidelines;
- ✓ Ask your investment manager or proxy vote service provider to report on how they voted on your behalf on any shareholder resolutions related to Indigenous rights;
- ✓ Make reconciliation and Indigenous rights a priority in your shareholder engagement activities;
- ✓ Incorporate Indigenous heritage into your conversations on diversity with corporate boards;
- ✓ Support enhanced disclosure on Indigenous policies and practices by corporations; and
- ✓ Encourage companies to commit to CCAB's PAR certification program.

BOX 10: SHARE's Reconciliation Focused Engagements

SHARE together with its investor network is engaging with Canadian companies across sectors on their commitment to reconciliation and the TRC's Call to Action 92 on business and reconciliation. The dialogues with companies focus on integration of the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) into business practices, internal education and training on Indigenous rights and history, and employment and business opportunities for Indigenous people. Some of the companies engaged are already taking steps including adopting policies and operational changes in line with Call to Action 92. Some have also committed to disclosing new performance metrics on Indigenous relations and reconciliation. For more information on SHARE's engagement on reconciliation see: <https://share.ca/issues/reconciliation/>



Step 5: Invest in Economic Reconciliation and the Indigenous Economy

"Industry and business play an extremely significant role in how the economic, social, and cultural aspects of reconciliation are addressed, including the extent to which opportunities and benefits are truly shared with Indigenous peoples and the environment of traditional homelands is safeguarded."

Truth and Reconciliation Commission Report²⁵

Economic reconciliation aims to create meaningful partnerships and mutually beneficial opportunities based on a holistic, values-driven approach to attaining community economic prosperity.²⁶ This is in marked contrast to taking a short-term, transactional approach to relations with Indigenous peoples and communities. In addition to contributing to reconciliation, investing in Indigenous communities can bring financial benefits to investors. For example, according to a recent report by the National Aboriginal Economic Development Board, investment in the Indigenous economy could contribute over \$3.6 billion to Canada's GDP.²⁷

Economic reconciliation can be promoted directly by investors through investments in products that aim to support Indigenous economic development, infrastructure or businesses, and indirectly through the companies in which they invest (see Step 4: Integrating Reconciliation into Investment Framework).

²⁵ http://nctr.ca/assets/reports/Final%20Reports/Executive_Summary_English_Web.pdf

²⁶ See <http://reconciliationcanada.ca/programs-initiatives/economic-reconciliation/>.

²⁷ Recommendations Report on Improving Access to Capital for Indigenous Peoples in Canada, (2017), http://www.naedb-cndea.com/reports/ACCESS_TO_CAPITAL_REPORT.pdf.

Box 11: Raven Indigenous Capital Partners

Raven Indigenous Capital Partners is an Indigenous-led social finance intermediary that facilitates the flow of purpose-driven capital to Indigenous enterprises and communities and supports the ongoing revitalization of the Indigenous economy in Canada. Raven currently manages a venture capital fund that provides patient risk capital to Indigenous enterprises and community-driven social outcomes contracts that address critical systemic challenges in the clean energy and health fields. Raven's offerings:

- ✓ Are designed to facilitate impact investment into Indigenous enterprises and communities
- ✓ Address identified financing gaps for Indigenous enterprises and communities
- ✓ Use innovative social finance mechanisms that put Indigenous communities, people, culture, and values first, and
- ✓ Broadly seek to create transformative change in Indigenous communities.

For more information on these (and other) opportunities, please see:

<http://ravencapitalpartners.ca>



While the availability of investable products is still limited, there are a growing number of opportunities for investors to invest directly in the Indigenous economy with new products being developed, including many by Indigenous financial institutions. A recent report by the Sauder Centre for Social Innovation and Impact Investment and Purpose Capital maps current investable products and identifies investment opportunities in different asset classes including cash (term deposits), public debt, private equity and venture capital.²⁸ For example, the National Aboriginal Capital Corporations Association (NACCA) recently launched the Indigenous Growth Fund, which seeks to leverage government investment to raise additional capital from institutional investors. The fund will make capital available to Aboriginal Financial institutions (AFI) to provide loans to new and expanding Indigenous businesses.²⁹

In addition to making investments in these products, investment organizations can play an important role in providing expertise and contributing to efforts to address the barriers that exist to greater institutional investment in Indigenous communities. Identifying opportunities to learn about and contribute to existing initiatives is a valuable starting point for investment organizations seeking to contribute to economic reconciliation. Examples of Indigenous-led initiatives and organizations is included in Appendix 1.

Box 12: First Nations Finance Authority Bond Issuance

The First Nations Finance Authority (FNFA) was created with the goal of providing First Nations and Aboriginal governments with the same finance instruments that other levels of government in Canada have at their disposal to build safe, healthy and prosperous communities. The FNFA is governed by Indigenous communities that join as borrowing members. It provides financing to qualifying First Nations for eligible projects, including: equity participation in certain projects, infrastructure investment, community housing, land purchases, and economic/social development. It began funding in institutional debt markets in 2014 with a ten-year issue of \$90 million. As of 2017, FNFA had issued three debentures totalling \$251 million. FNFA bonds are classified in the FTSE TMX Canada Universe Bond Index in the Municipal sub-sector category.

For more information see: <https://fnfa.ca/en/>.

28 See Impact Investing in the Indigenous Context: A Scan of the Canadian Marketplace, (2018), [https://www.sauder.ubc.ca/Faculty/Research_Centres/Centre_for_Social_Innovation_and_Impact_Investing/Core_Themes/Impact_Investing/~media/Files/ISIS/Reports/Impact Investing Reports/Impact Investing in the Indigenous Context - Report - FINAL.ashx](https://www.sauder.ubc.ca/Faculty/Research_Centres/Centre_for_Social_Innovation_and_Impact_Investing/Core_Themes/Impact_Investing/~media/Files/ISIS/Reports/Impact%20Investing%20Reports/Impact%20Investing%20in%20the%20Indigenous%20Context%20-%20Report%20-%20FINAL.ashx).

29 For more information, see: <https://nacca.ca/igf/>.



Some specific ways that investors can contribute to economic reconciliation and invest in the Indigenous economy are:

- ✓ Consider opportunities to work with existing Indigenous financial institutions and Indigenous-led initiatives that are seeking improved access to capital for Indigenous communities;
- ✓ Partner with and support Indigenous organizations that are building the capacity and investment readiness of Indigenous businesses and entrepreneurs;
- ✓ Consider investments in existing impact investing products that support Indigenous entrepreneurs and businesses; and
- ✓ Identify opportunities to work with other investors to demonstrate demand for investable products that benefit Indigenous communities.

CONCLUSION

The Truth and Reconciliation Commission's work has been integral in bringing attention to the legacy of colonialism in Canada and the ongoing impacts of the Indian Residential School System for the survivors, their families and their communities. The recommendations and calls to action from the TRC provide valuable guidance for individuals and organizations from all sectors of Canadian society to learn and acknowledge as well as to participate and take action in support of reconciliation. Investors have an important role to play in this process. Our hope is that this investor guide will support investment organizations in this endeavour.



APPENDIX 1: KEY ORGANIZATIONS AND INITIATIVES

AFOA CANADA

AFOA Canada (formerly Aboriginal Financial Officers Association of Canada) is a not-for-profit association that helps Indigenous people to better manage and govern their communities and organizations through enhancing finance and management practices and skills.

For more information visit: <https://www.afoa.ca/>

ABORIGINAL SAVINGS CORPORATION OF CANADA (ABSCAN)

ABSCAN is a non-profit, social benefit corporation, controlled and managed by First Nation members. Its goal is to put First Nations savings at work for First Nations housing in the most effective and secure way possible.

For more information visit:
https://www.lasedac.ca/index_en.html

CANADIAN COUNCIL FOR ABORIGINAL BUSINESS (CCAB)

CCAB builds bridges between Aboriginal and non-Aboriginal peoples, businesses, and communities through diverse programming, providing tools, training, network building, major business awards, and national events. CCAB provides an array of business development offerings, including certification for Aboriginal-owned businesses (CAB) and companies with Progressive Aboriginal Relations (PAR).

For more information visit:
<https://www.ccab.com>

FIRST NATIONS FINANCE AUTHORITY

The First Nations Finance Authority (FNFA) is a not-for-profit organization that provides First Nations governments with investment options, capital planning advice and access to long-term loans with preferable interest rates.

For more information visit: <https://fnfa.ca/>

SOCIÉTÉ DE CRÉDIT COMMERCIAL AUTOCHTONE (SOCCA)

SOCCA is a non-profit corporation that offers financing products and services in the form of non-refundable contributions, term loans and caching to start, acquire or expand Aboriginal businesses. SOCCA seeks to provide adapted financial services to meet the needs and expectations of First Nations of Quebec and the Native Alliance of Quebec and their members.

For more information visit:
<https://www.soccca.qc.ca/>

FIRST PEOPLES INVESTMENT ENGAGEMENT PROGRAM, UNIVERSITY OF COLORADO BOULDER

The First Peoples Investment Engagement Program is a partnership between the Faculty at the University of Colorado Law School and at Leeds School of Business at the University of Colorado at Boulder. First Peoples Investment Engagement Program is the successor to First Peoples Worldwide, which was developed in 1997 by Cherokee social entrepreneur Rebecca Adamson.

For more information visit: <https://www.colorado.edu/project/fpiep/>.



NATIONAL ABORIGINAL TRUST OFFICERS ASSOCIATION (NATOA)

NATOA is a national charity organization that is committed to providing Indigenous Peoples with the resources and information that will help them efficiently create, manage and operate trusts as a means to ensure the seven generations yet unborn, can benefit from the goals and dreams of the present generation.

For more information visit: <https://natoa.ca>

NATIONAL ABORIGINAL CAPITAL CORPORATIONS ASSOCIATION (NACCA)

NACCA is a membership-driven national association of Aboriginal financial institutions or AFIs. NACCA supports the AFI network in their efforts in providing financing to First Nations, Métis and Inuit businesses and communities.

For more information visit: <https://nacca.ca>

RAVEN CAPITAL PARTNERS

Raven Indigenous Capital Partners is an Indigenous-led social finance intermediary that facilitates the flow of purpose-driven capital to Indigenous enterprises and communities and supports the ongoing revitalization of the Indigenous economy in Canada.

For more information visit:
<http://ravencapitalpartners.ca>

RAVEN INDIGENOUS IMPACT FOUNDATION

The Raven Indigenous Impact Foundation provides education, training and funding opportunities to empower Indigenous business owners to be successful. The Raven Indigenous Impact Foundation's approach is based on Indigenous values, is community-driven and focused on building long-term solutions.

For more information visit: <http://riif.ca>

THE CIRCLE ON PHILANTHROPY AND ABORIGINAL PEOPLES

The Circle on Philanthropy and Aboriginal Peoples in Canada is an open network to promote giving, sharing, and philanthropy in Aboriginal communities across the country. The Circle seeks to transform philanthropy and contribute to positive change with Indigenous communities by creating spaces of learning, innovation, relationship-building, co-creation and activation.

For more information visit: <http://www.philanthropyandaboriginalpeoples.ca>





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