Navigating the evolving DEI landscape: Implications for Canadian organizations

February 26, 2025

Diversity, Equity, and Inclusion (DEI) initiatives have been increasingly accepted as integral to shaping corporate governance and culture, with significant influence over the past decade. Recently, these efforts have encountered growing resistance in the United States, fueled by shifting political, social, and economic forces. As American companies reassess their DEI policies in response to evolving market dynamics and regulatory pressures, Canadian investors and organizations must also consider how these developments will impact their strategies. This paper explores the current pushback against DEI and the impacts for Canadian stakeholders navigating the global landscape of DEI and corporate governance.

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Current DEI pushback in the United States

In recent years, Diversity, Equity, and Inclusion (DEI) initiatives have faced mounting resistance in the U.S., with political, legal, and social movements challenging related corporate strategies. Critics argue DEI can lead to reverse discrimination, inefficiencies, and business politicization. Since July 2023, legislative actions in certain states have further restricted DEI programs on campuses and in workplaces, creating uncertainty for companies.

The backlash intensified in 2024. In July, John Deere announced it would stop supporting "cultural awareness" events like Pride parades and remove "socially-driven messages" from its documents. As the year progressed, other major corporations also scaled back their DEI commitments. Disney rebranded its DEI performance metric from "Diversity & Inclusion" to "Talent Strategy". Deloitte stopped issuing diversity reports and advised U.S. employees working with government clients to remove pronouns from email signatures. PBS closed its DEI office, as did Boeing and the U.S.'s FBI (Federal Bureau of Investigation), due to political pressures. Google eliminated diversity hiring targets, and Accenture dropped DEI considerations from its hiring and promotion processes. Amazon removed DEI references from its annual report, while McDonald's rebranded its diversity team and abandoned external demographic surveys. Target ended its racial hiring targets, citing data-driven decision-making. Other U.S. companies began adjusting their DEI policies, particularly at the workforce, procurement, and sponsorship levels.[1]

Investor sentiment has also shifted. In 2024, the number of DEI-related shareholder proposals in the Russell 3000 index doubled. However, overall support declined from 19% in 2023 to 13%. An increase in conservative-backed proposals, which averaged only 1.8% support, was largely responsible for this decline. Excluding these, support for DEI-related proposals stands below 2023's 23%.[2] Meanwhile, anti-DEI proposals focused on race have surged, with 29 proposals in 2024, surpassing the combined total from the previous two years. However, support for these resolutions remains low, averaging just 2% over the last three proxy years.[3]

January 2025 saw investors like BlackRock and Vanguard update their proxy voting guidelines for U.S. companies. BlackRock's proxy voting guidelines removed previous diversity targets and its disclosure-based voting policy but noted it may vote against proposed members if an S&P 500 company's board is an outlier compared to market norms, with 30% diversity of board members still being an implied expectation. Vanguard's 2025 proxy voting guidelines softened its stance on board diversity, removing specific diversity mandates, but emphasizing cognitive diversity and a breadth of skills.[4] In addition to this, the proxy voting provider Institutional Shareholder Services (ISS) also removed DEI factors from its recommendations for U.S. companies, suggesting it is focusing more on shareholder value.[5]

Regulatory challenges have further complicated DEI efforts. In 2021, NASDAQ introduced a diversity disclosure rule requiring listed firms to include at least one female director and one underrepresented minority or LGBTQ+ director by 2025, or explain non-compliance.[6] However, in December 2024, the United States Court of Appeals for the First Circuit struck down the rule, arguing that the Securities and Exchange Commission (SEC) had overstepped its authority, making compliance to the NASDAQ disclosure requirement voluntary rather than mandatory.[7]

Despite these setbacks, market reactions suggest that investors have not abandoned DEI principles. In January 2025, Costco shareholders overwhelmingly rejected an anti-DEI proposal (98% voting against the proposal), signaling continued resistance to outright rollbacks.[8] Companies such as Costco and Apple urge investors to vote against such anti-DEI proposals, reaffirming their commitment to diversity efforts. Financial institutions have taken a similar stance - JP Morgan assertively noted that DEI was good for the bottom line and requested the SEC to disregard shareholder proposals aimed at eliminating DEI programs, arguing that they contain false claims. Goldman Sachs CEO David Solomon emphasized that diversity remains crucial to talent acquisition and business operations, stressing its role in keeping the company aligned with client expectations.[9]

Globally, however, the trend differs. While DEI initiatives are contracting in the U.S., international momentum remains strong. The World Economic Forum's Future of Jobs Report 2025 found that 83% of companies across 55 economies have implemented DEI measures, a sharp increase from 67% in 2023.[10]

1. Forbes, *Banks Including JPMorgan Chase And Morgan Stanley Reportedly Cutting Back DEI References - Here Are All The Companies Rolling Back DEI*, February 13, 2025.
2. Harvard Law School Forum on Corporate Governance, *Diversity, Equity, and Inclusion in the 2024 Proxy Season: A New Era of Scrutiny*, June 13, 2024.
3. Morningstar, *5 Charts on How Investors Are Addressing Race at Shareholder Meetings*, February 4, 2025.
4. Cooley, *BlackRock and Vanguard Release 2025 Proxy Voting Guidelines*, February 5, 2025.
5. ESG today, *Proxy Advisory Firm ISS Removes DEI Factors from Voting Recommendations for U.S. Boards*, February 12, 2025.
6. Harvard Law School Forum on Corporate Governance, *SEC Adopts Nasdaq Rules on Board Diversity*, August 19, 2021.
7. White & Case LLP, *Nasdaq Board Diversity Disclosure Rules No Longer in Effect After Overturning by Court*, December 13, 2025.
8. USA Today, *Costco won't join DEI backlash. Why shareholders rejected anti-'woke' proposal*, January 23, 2025.
9. Financial Post, *JPMorgan, Goldman Sachs resist calls to roll back diversity*, January 22, 2025.
10. World economic Forum, *The Future of Jobs Report 2025*, January 7, 2025.

What stands behind the D, E and I?

Investors have considered that when effectively integrated, Diversity, Equity, and Inclusion (DEI) contribute to long-term business performance, risk management, and value creation. Companies that embed DEI into their talent strategies strengthen decision-making, enhance innovation, and improve workforce retention - key factors in maintaining a competitive advantage.

Diversity encompasses a broad range of attributes, including race, gender, ethnicity, socioeconomic background, disability status, and cognitive diversity. A diverse workforce brings multiple perspectives, improving problem-solving, adaptability, and risk assessment. However, diversity alone does not generate sustained business impact without equitable policies and an inclusive culture.[11]

Equity ensures fair access to opportunities, resources, and career development by addressing structural barriers. Unlike equality, which assumes uniform treatment leads to fairness, equity accounts for differing circumstances and seeks to remove obstacles that may hinder workforce potential. Organizations that apply data-driven compensation structures, objective performance metrics, and unbiased promotion criteria optimize talent development and reduce turnover-related costs.[11]

Inclusion translates diversity and equity into measurable business outcomes. Beyond representation, inclusion ensures that employees feel valued and that diverse perspectives are incorporated into strategic decision-making. Companies with inclusive environments experience higher employee engagement, improved collaboration, and stronger discretionary effort—factors that directly influence productivity and financial performance.[11]

While DEI has been a focal point at the board and executive levels, its impact extends across all areas of an organization. Investors and stakeholders increasingly evaluate DEI not as a standalone initiative but as a key component of talent strategy, governance, and risk mitigation. Organizations that align DEI with their broader business objectives enhance workforce stability, improve shareholder confidence, and position themselves for long-term, sustainable growth in an evolving market.

The business case for DEI

Diversity, Equity, and Inclusion (DEI) at the board level have been widely studied in academic research, with findings indicating both benefits and complexities in its implementation. Studies suggest that board diversity can enhance decision-making, improve corporate governance, and contribute to better risk management, as diverse perspectives lead to more comprehensive discussions and strategic oversight.[12] Additionally, firms with greater gender diversity on boards have been associated with improved financial performance in certain contexts, although the relationship is not always straightforward.[13] Research on regulatory interventions, such as Norway's gender quota, which requires at least 40% female representation on corporate boards, and California's SB 826, mandating that publicly traded companies headquartered in California have a minimum number of women on their boards, indicates that while mandated diversity can lead to initial investor skepticism and stock price declines, these effects may moderate over time as firms adapt.[14]

Furthermore, broader DEI measures, beyond demographic representation, have been linked to improved firm culture, innovation, and long-term financial performance.[15] However, some studies caution that the benefits of DEI depend on industry context, board integration, and execution, rather than diversity alone driving performance improvements.[16] Beyond the boardroom, DEI at the executive and workforce levels has also been examined, with research highlighting both opportunities and challenges. Studies suggest that diverse leadership teams can contribute to stronger financial outcomes, with companies in the top quartile for executive gender diversity being 25% more likely to achieve above-average profitability.[17]

11. BDC, *Diversity, equity and inclusion (DEI)*, October 20, 2023.
12. Bernile, G., Bhagwat, V., & Yonker, S. E., *Board Diversity, Firm Risk, and Corporate Policies*, *Journal of Financial Economics*, March 2018.
13. Post, C., & Byron, K., *Women on Boards and Firm Financial Performance: A Meta-Analysis*, *Academy of Management Journal*, October 2015.
14. Ahern, K. R., & Dittmar, A. K., *The Changing of the Boards: The Impact on Firm Valuation of Mandated Female Board Representation*, *The Quarterly Journal of Economics*, 2012.
15. Edmans, A., Flammer, C., & Glossner, S., *Diversity, Equity, and Inclusion: A Review and Synthesis of the Literature*, *European Corporate Governance Institute (ECGI) - Finance Working Paper No. 912/2023,* May 2023.
16. Huang, J., & Kisgen, D. J., *Gender and Corporate Finance: Are Male Executives Overconfident Relative to Female Executives?*, *Journal of Financial Economics*, June 2013.
17. McKinsey & Company, *Diversity Wins: How Inclusion Matters*, May 19, 2020.

However, the success of DEI initiatives is highly dependent on their implementation. A study from Boston University highlights that many corporate DEI programs lack robust impact assessments, making it difficult to measure their effectiveness.[18] Similarly, a meta-analysis found that while diversity training can increase awareness and knowledge, its long-term impact on behavior and workplace culture is often limited unless supported by structural and strategic initiatives.[19]

Strategic considerations for Canadian organizations

Canada's DEI landscape has been shaped by regulations like the Canada Business Corporations Act (CBCA), which since January 1, 2020, has required publicly traded companies to disclose board and executive diversity, and initiatives such as the 30% Club, which has driven board diversity. Furthermore, on February 15, 2025, the Canadian government published an update to the Bank Act, Insurance Companies Act and Trust and Loan Companies Act, mandating Canadian banks and federally regulated financial institutions to disclose information on the diversity of their boards of directors and senior management.[20,21,22] These new regulations are enforced by Canada's Office of the Superintendent of Financial Institutions (OSFI) and remain open for consultation until March 17, 2025. However, our ninth Semi-annual ESG sentiment study of Canadian institutional investors, published in September 2024, revealed a notable decline in investor interest, with DEI dropping from 71% as a top ESG priority in 2021 to just 16% in 2024.[23]

In the study, one asset manager explained the overall sentiment: **"I think we have made a lot of progress regarding internal processes for EDI. Looking at shareholder proposals three or four years back, a lot were pushing for board diversity and a lot of proposals have been successful. A lot of entities are making genuine efforts for higher diversity and hence the push has been successful. Any further shareholder proposals we are seeing now are declined because they are going beyond what is reasonable. No one is declaring a success, but we are on the right path."** This suggests that Canadian investors viewed DEI practices as well-established, with significant progress made in board diversity and corporate initiatives.

These findings reinforce the idea that diversity alone is not a panacea for performance improvement - rather, its value depends on how well it is integrated into corporate strategy, leadership structures, and organizational culture. For investors and business leaders, the evidence suggests that DEI can enhance decision-making, innovation, and governance, but its success relies on thoughtful execution, continuous evaluation, and a commitment to long-term, meaningful inclusion.

At the same time, our October 2024 report that reviews ESG-related disclosures of TSX-listed companies (8th Annual ESG Disclosure Study: A Canadian Perspective) highlights an increase in DEI targets at the board and management levels for TSX-listed companies.[24] However, there has been a noticeable decrease in workforce-level targets for reports published in 2024. The Canadian Securities Administrators (CSA) initiated a consultation in April 2023 to enhance diversity disclosures beyond gender in corporate governance. The consultation period concluded on July 12, 2023, and the CSA has yet to release its response or further guidance on the proposed amendments. As the U.S. faces growing pushback on DEI policies, Canadian companies may face shifting investor expectations and evolving regulatory pressures.

For Canadian organizations, navigating the changing DEI landscape requires a strategic, structured approach, with key stakeholders playing essential roles - including investors. They may find it valuable to assess their internal DEI policies. Also, there should be a thorough review of stewardship strategies, including of the proxy voting guidelines and engagement strategies, ensuring alignment with the values and culture of their beneficiaries. This could involve considering potential adjustments to investment or responsible investing policies, processes, and engagement approaches, in response to evolving conversations around DEI, particularly in light of broader societal pushback. Revisiting stewardship strategies to reflect the organization's position on DEI will be an important step in ensuring that these efforts remain consistent with the organization's culture and long-term objectives.

18. Boston University, *Are Diversity, Equity, and Inclusion Initiatives Helping Workers - or Dividing Them?*, November 28, 2023.
19. Bezrukova, K., Spell, C. S., Perry, J. L., & Jehn, K. A., *A Meta-Analytic Evaluation of Diversity Training Outcomes*, *Journal of Applied Psychology*, October 2012.
20. Canada Gazette, *Part I, Volume 159, Number 7: Diversity Information Disclosure (Banks and Bank Holding Companies) Regulations*, February 15, 2025.
21. Canada Gazette, *Part I, Volume 159, Number 7: Diversity Information Disclosure (Insurance Companies and Insurance Holding Companies) Regulations*, February 15, 2025.
22. Canada Gazette, *Part I, Volume 159, Number 7: Diversity Information Disclosure (Trust and Loan Companies) Regulations*, February 15, 2025.
23. Millani, *Semi-annual ESG sentiment study of Canadian institutional investors*, February 12, 2025.
24. Millani, *8th Annual ESG Disclosure Study: A Canadian Perspective*, October 28, 2024.

For issuers, it will be important to ask whether they will maintain their current DEI programs. Asking important questions like “Why does DEI matter to our organization?” and “What value does DEI create for our organization?”. Once assessed, they will need to consider how to communicate any revisions to their strategy, clearly and effectively, using language that aligns with the company’s culture and objectives. This might involve shifting to other terminologies such as “human capital management” or “talent management”, depending on what resonates best with the organization’s objectives. Transparent updates on targets, progress, and implementation can help ensure accountability. Maintaining open communication with investors and stakeholders and refining engagement strategies could support sustained, meaningful progress, positioning DEI as a core element of corporate governance and culture.

Overall, the value of these programs and initiatives will be the responsibility of the organization to articulate and communicate. Investors often look to boards of Directors to have oversight of culture. Directors should be proactively ensuring DEI is on their agenda, both from the perspective of the makeup of the board, as well as for the organizations they oversee. Finally, both investors and issuers should remain alert to their stakeholders’ expectations. Customers, employees, investors and other stakeholders will be watching for, and scrutinizing, changes in related strategy and communications.

Conclusion

The pushback against DEI initiatives in the U.S. reflects a broader societal debate over the role of diversity in business and governance. While political, regulatory, and investor sentiment have driven some companies to scale back their DEI commitments, the importance of Diversity, Equity, and Inclusion remains evident in both the corporate world and in global markets. Companies will need to navigate these changing expectations carefully, balancing the need for long-term sustainability with shifting societal and shareholder demands. DEI, when effectively executed, remains a key driver of business performance, talent retention, and governance, and its ongoing integration into corporate culture can ultimately influence both organizational success and broader market dynamics. As such, we can expect a continued evolution on how DEI is being integrated into business strategy, and subsequently communicated, and be certain that stakeholders will be watching.