



2019 EDELMAN TRUST BAROMETER

Special Report | Institutional Investors
Global Results

#TrustBarometer



2019 Institutional Investor Trust Report

Methodology

N=610 Institutional Investors

Online quantitative study among

U.S. n=104

U.K. n=100

Canada n=101

Germany n=100

Japan n=104

Netherlands n=101

**Fielded from August 30th to
September 30th, 2019**

Contents

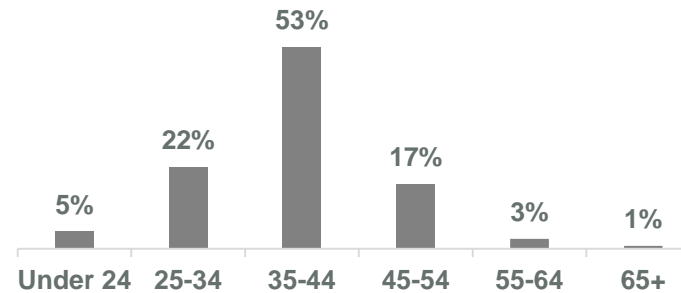
Multi-Stakeholder Commitment is the New Business Imperative	05
ESG is a Key Driver for Investor Trust	10
Investors Double Down on ESG	19
Without Trust, Beware Multi-Stakeholder Activism	27
Re-establishing Trust Amidst Underperformance: Back to Basics	33
Social Channels Matter	37
Appendix	39

Diverse Sample

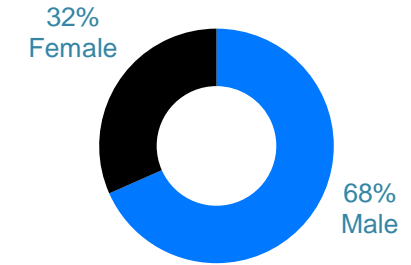
Primary Investment Style

Growth	36%
Value	17%
Industry-specific	12%
Activist	11%
Quantitative/Index	10%
Hedge	9%
GARP	6%

Age



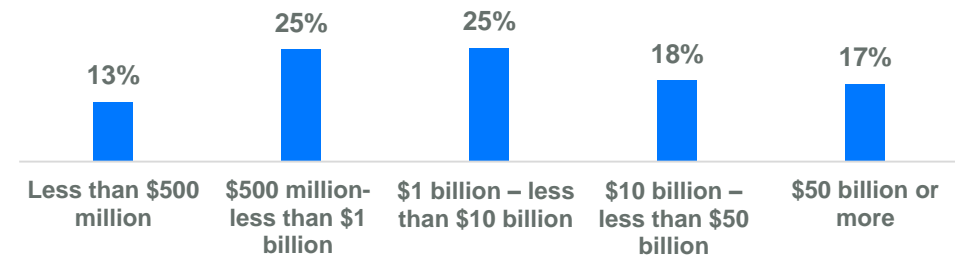
Gender

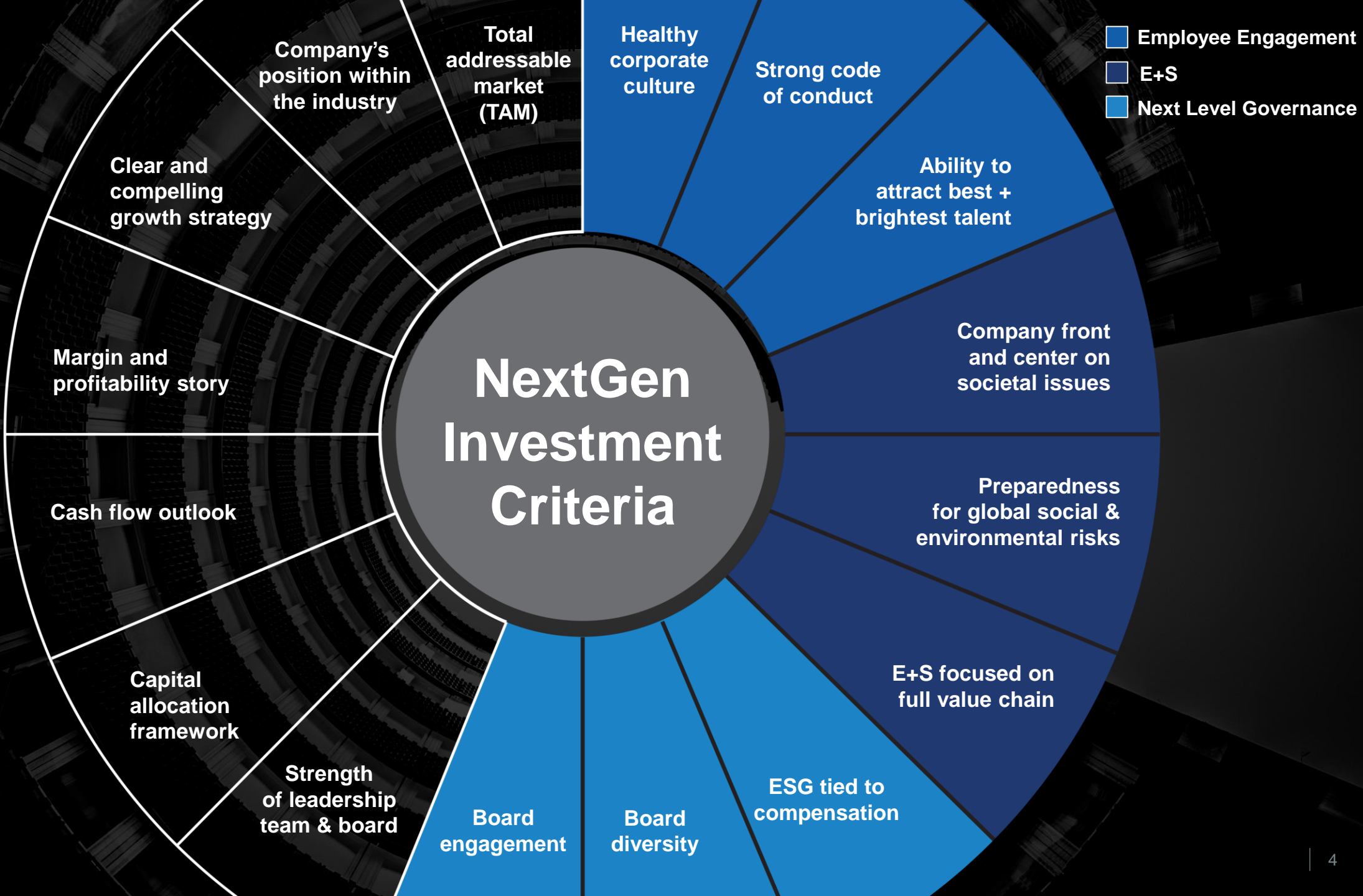


Respondents' Job Titles



Organizations' Assets Under Management In USD



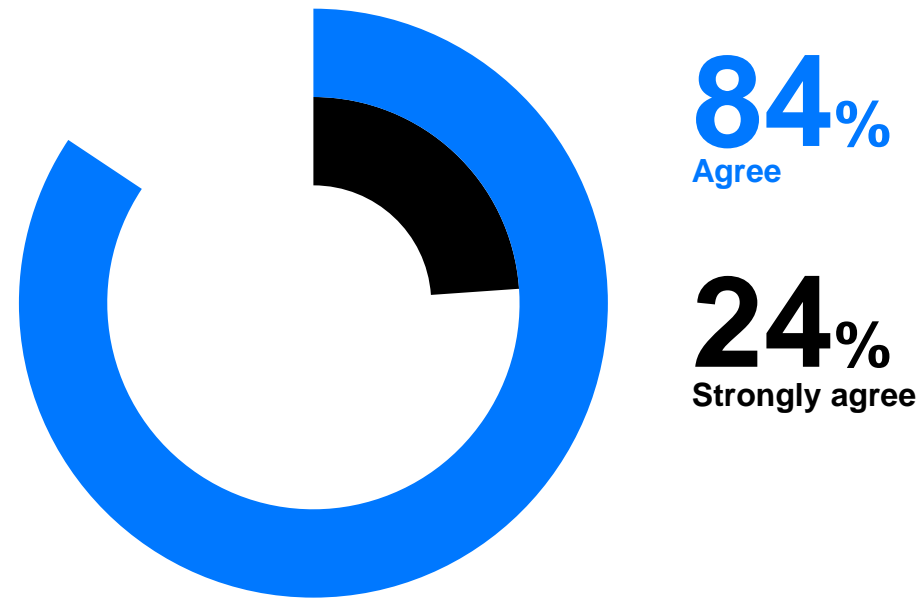


The background features a blurred crowd of people walking in a modern, brightly lit space with a grid-patterned ceiling. Overlaid on this are several wavy, flowing lines in blue and white, creating a sense of movement and connectivity.

Multi-Stakeholder Commitment is the New Business Imperative

Investors agree that corporations need to have multi-stakeholder commitment

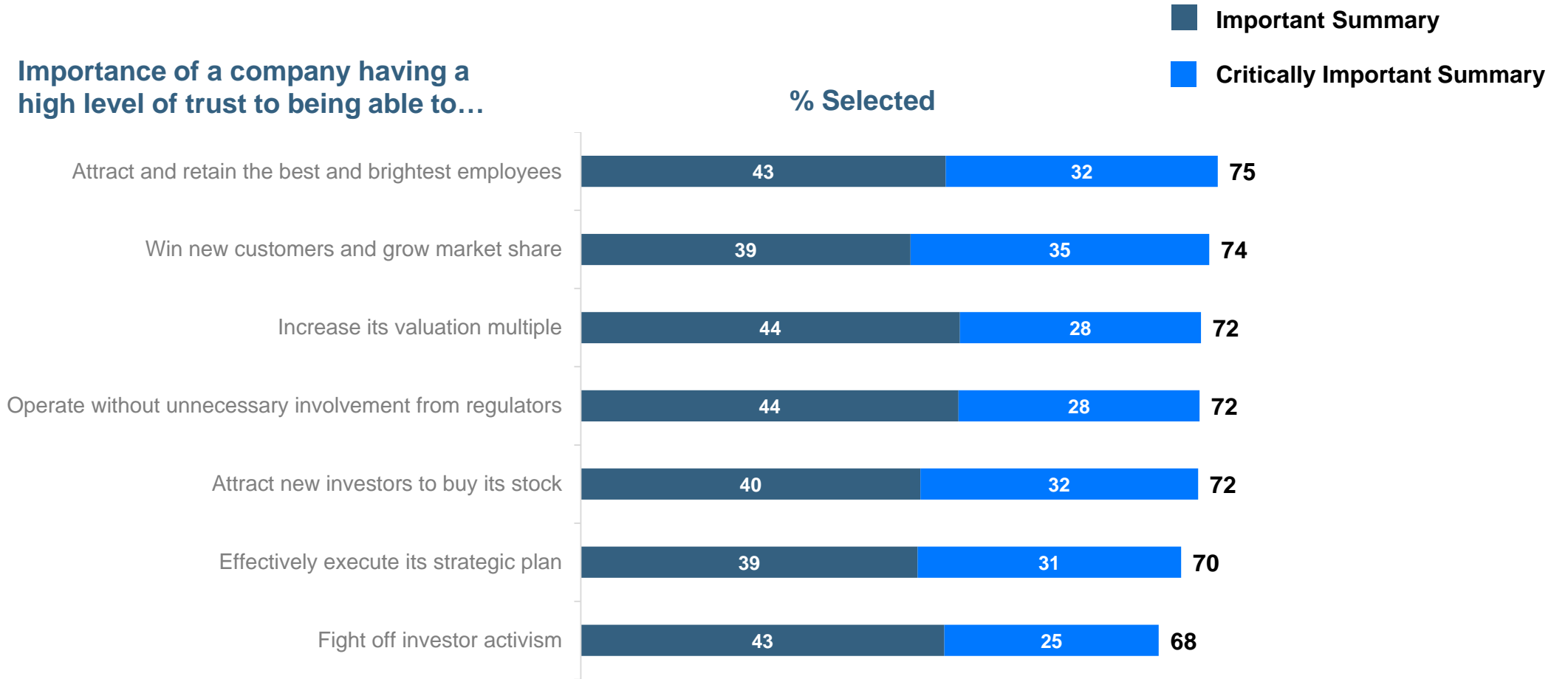
Some experts say that maximizing shareholder returns can no longer be the primary goal of the corporation and that business leaders should commit to balancing the needs of shareholders with customers, employees, suppliers and local communities.



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Q30: Some experts say that maximizing shareholder returns can no longer be the primary goal of the corporation, and that business leaders should commit to balancing the needs of shareholders with customers, employees, suppliers and local communities. To what extent do you agree with this statement?

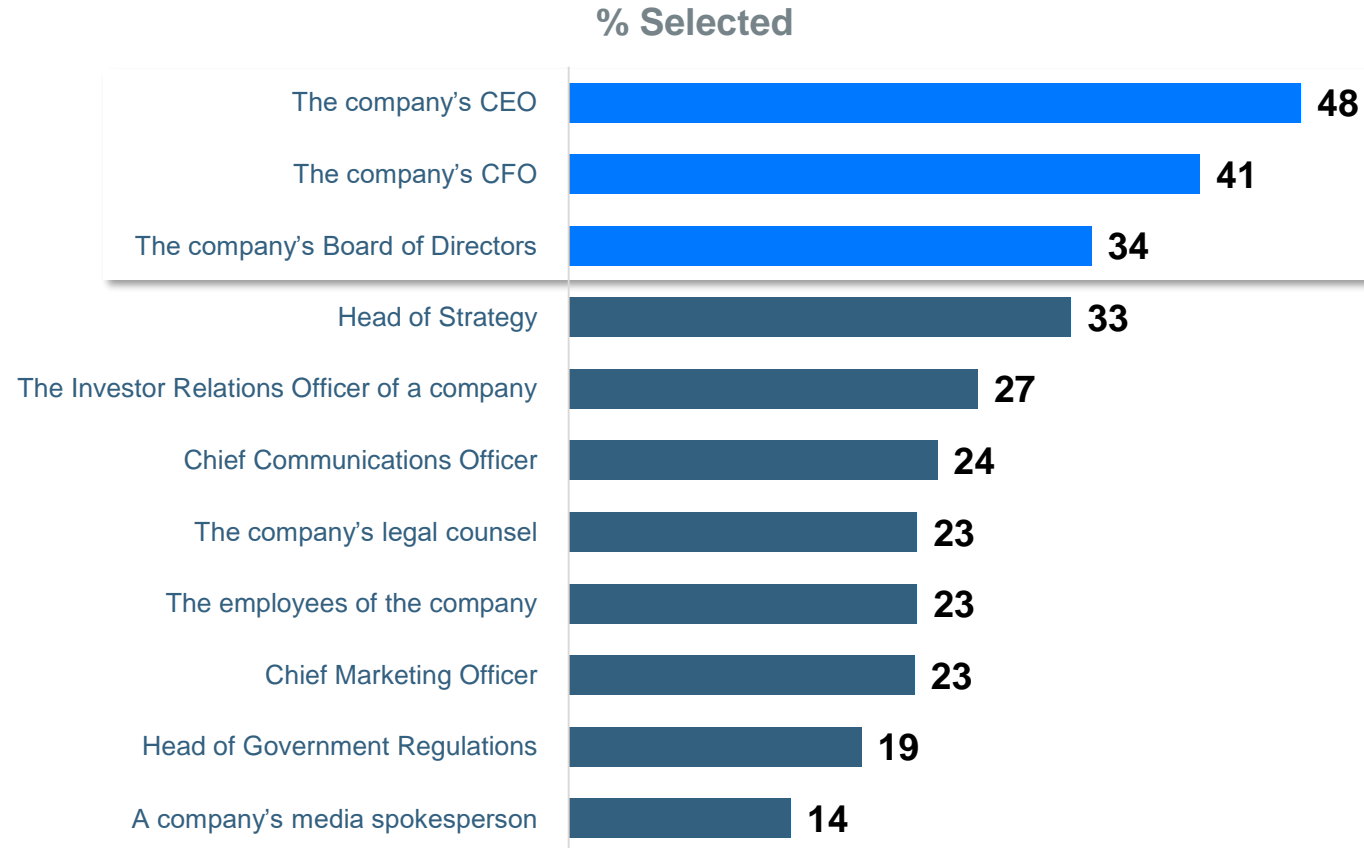
Building trust is key to a multi-stakeholder strategy



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Q2b: Using the scale below, please rate how important it is that a company has a high level of trust when it comes to each of the following.

Trust seen as a C-Suite and Board-Level priority

Important Stewards of Trust



But are CEOs living up to expectations?

Percent who say this is important when considering an organization as a potential place of employment vs. those who say their current employer is doing this

■ Employee Expectation
■ Employer Performance

Employees question management's honesty



Employees question CEO's values

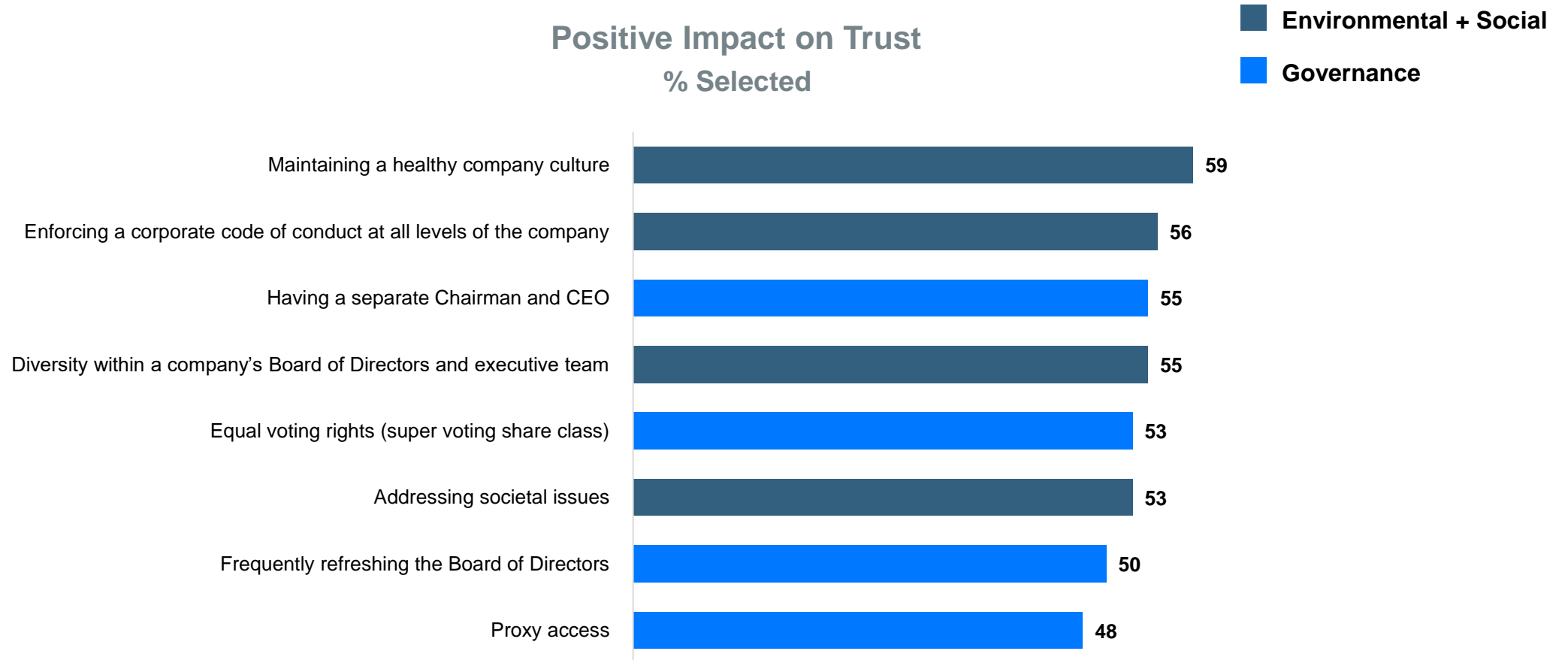


2019 Edelman Trust Barometer. EMP_IMP. When considering an organization as a potential place of employment, how important is each of the following to you in deciding whether or not you would accept a job offer there? 3-point scale; code 1, very important (I would never work for an organization that lacked this characteristic); code 2, important (The pay or other benefits would have to be significantly higher than my other options to compensate for this not being a characteristic of the organization). Question asked of those who are an employee, but do not run their own business (Q43/1 AND NOT Q28/7). EMP_VAL. Thinking about your current employer, to what extent do you agree with the following statements? 9-point scale; top 4 box, agree. Question asked of those who are an employee, but do not run their own business (Q43/1 AND NOT Q28/7). General population employees, 27-market average.



ESG is a Key Driver for Investor Trust

More than half of investors believe that ESG practices positively impact trust



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Q3: How much do each of the following corporate behavioral practices positively impact your trust in a company that you are/may consider investing in or recommending?

For each one, please indicate the level of impact using a 9-point scale where 1 means "no positive impact on trust" and 9 means "a great deal of positive impact on trust." Top 2

Q5: How much does each of the following corporate governance practices positively impact your trust in a company that you are/may consider investing in or recommending?

For each one, please indicate the level of impact using a 9-point scale where 1 means "no positive impact on trust" and 9 means "a great deal of positive impact on trust."

Investors are investing more in ESG-excelling companies

Actions to be Attentive to ESG Risk % Selected

Increased our investment allocation to companies that excel when it comes to ESG factors

61%

We vote our shares more often for board candidates that we believe will increase the company's attention to ESG issues

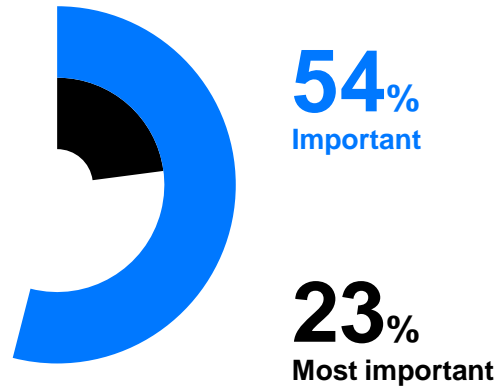
57%

We vote our shares more often to support ESG-related policy initiatives

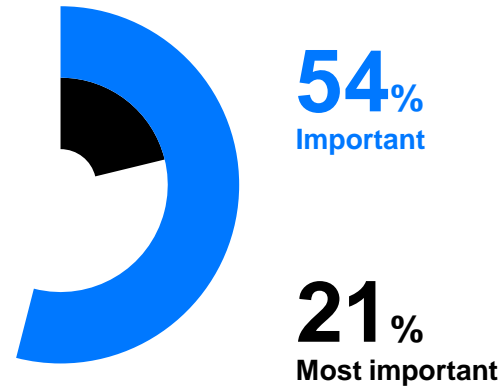
53%

All components of ESG remain important

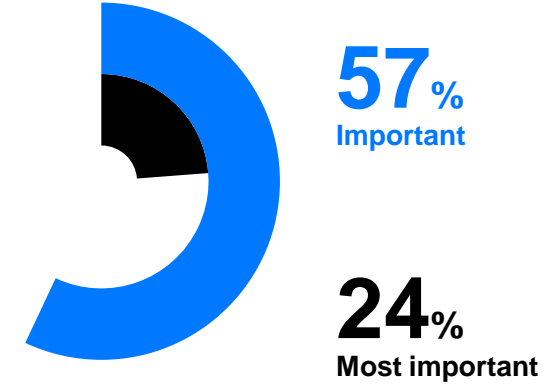
Environmental practices



Social practices



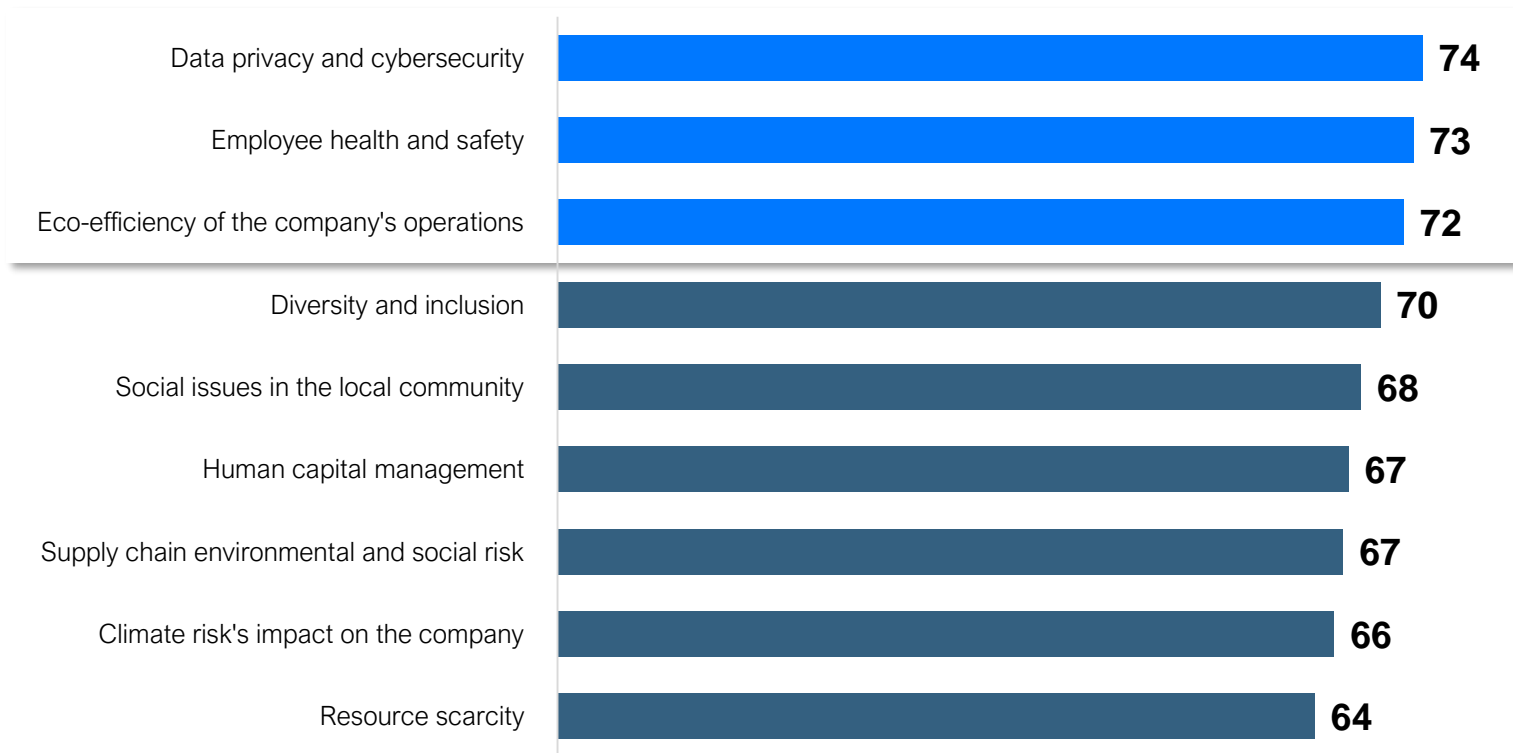
Governance practices



Cybersecurity, employee health and eco-efficiency are top priorities for investors

ESG Topics

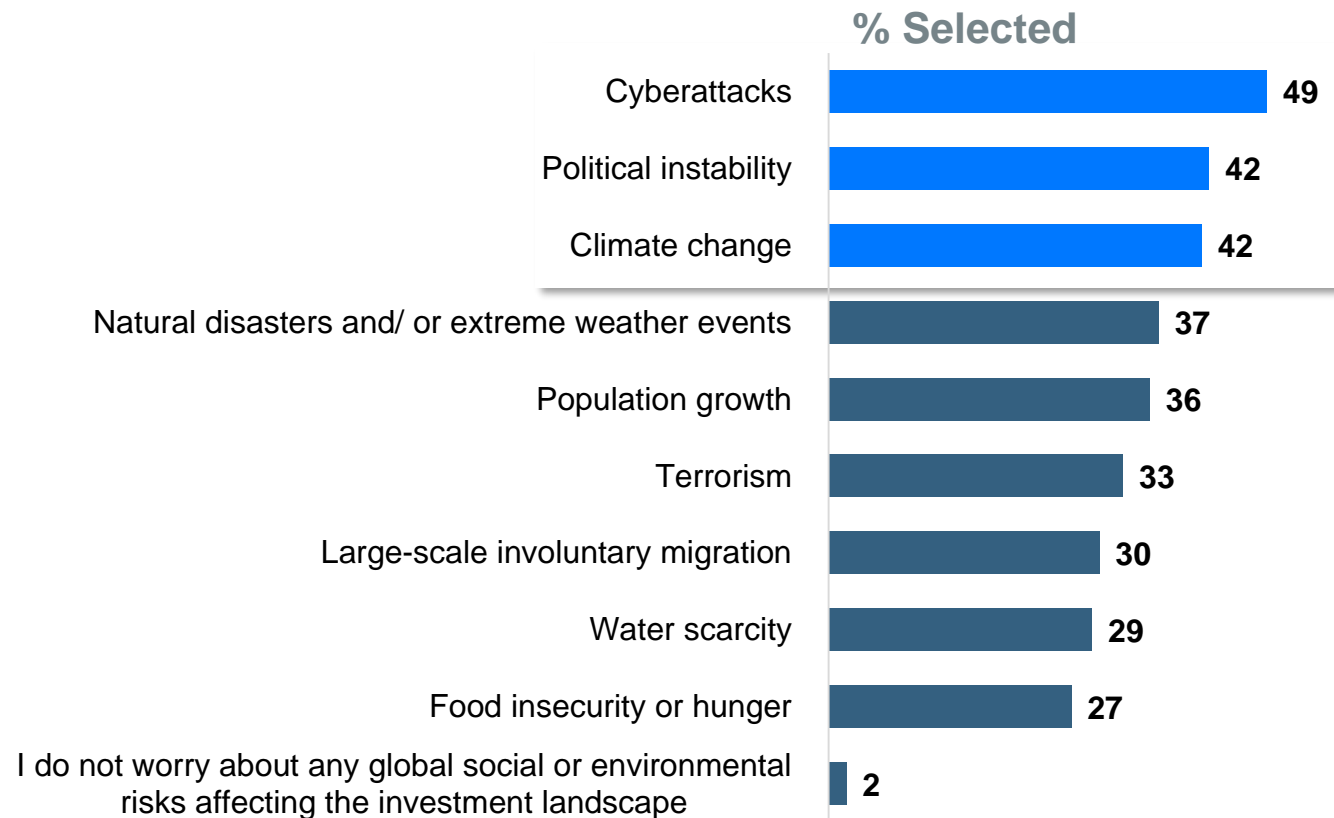
% Selected Planning to Engage with the Board in the Next 6 Months



99% of investors expect the Board of directors to oversee at least one ESG topic

Cyberattacks, political instability and climate change are expected to impact the investment landscape in the next 5 years

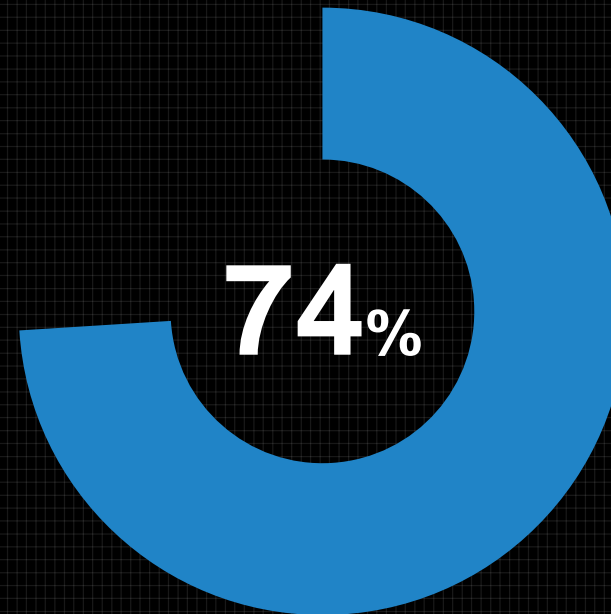
Top Risks That Will Affect Investment Landscape Within 5 Years



Investors consider E+S impact across the full value chain

When evaluating social and environmental risks related to an investment decision, do you consider risk to the full value chain of the company?

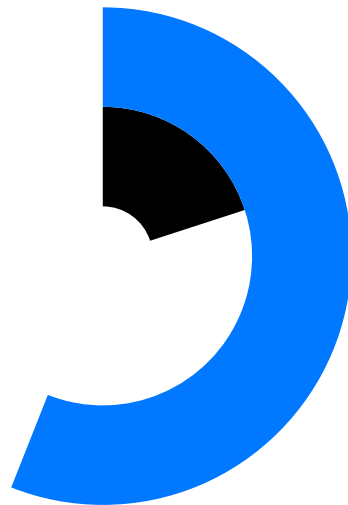
% Selected Yes



Investors want the C-suite to be compensated on ESG progress

Linking executive compensation to financial performance positively impacts my trust in a company

% Selected



56%
"Has a positive impact"

20%
"A great deal of positive impact"

Linking executive compensation to ESG target performance positively impacts my trust in a company

% Selected

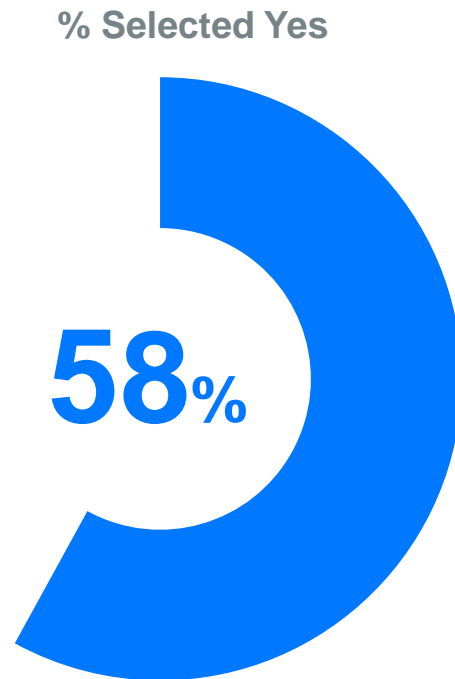


52%
"Has a positive impact"

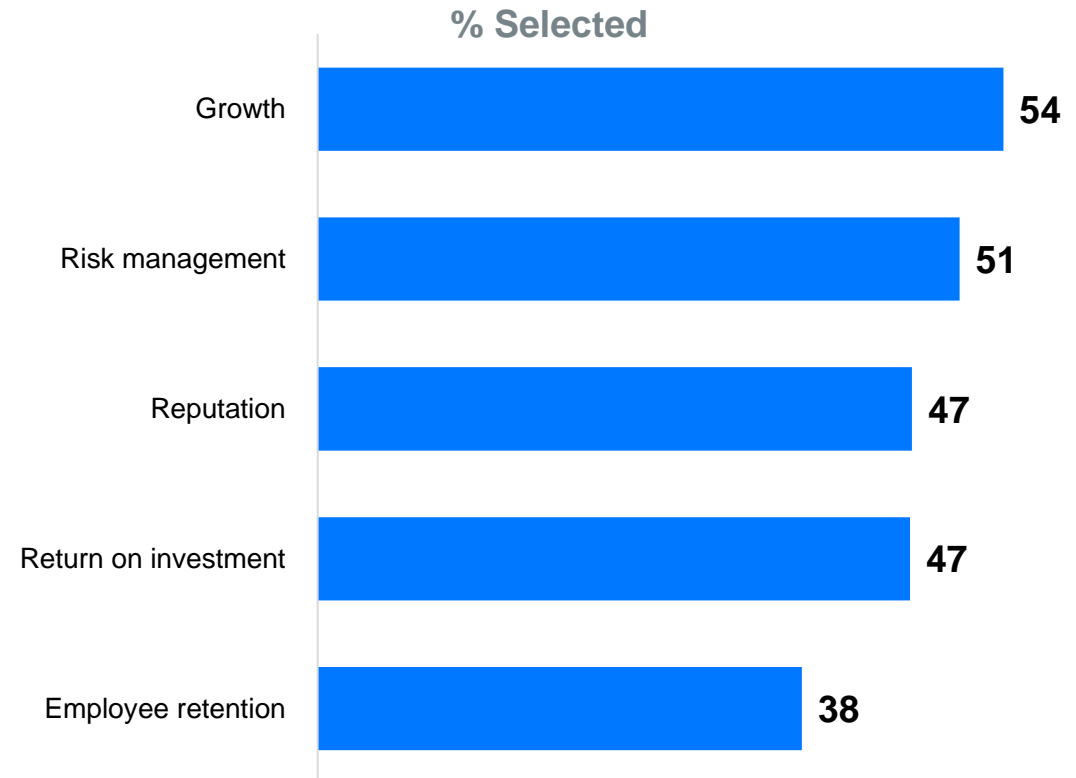
21%
"A great deal of positive impact"

Investors associate ESG with performance and growth

Positive Correlation Between Operational Performance and ESG Disclosure



ESG Initiatives Lead to Favorable Impact On:



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Q23: Do you see a positive correlation between operational performance and ESG disclosure?

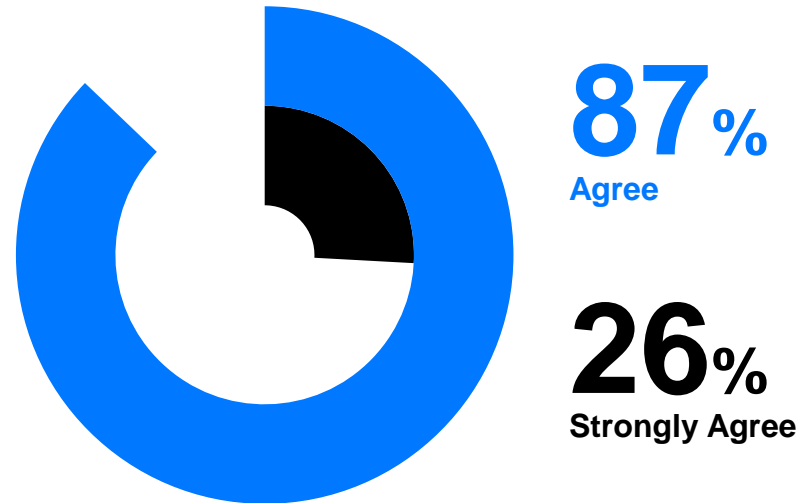
Q18: On which of the following do active ESG initiatives by a company have the most favorable contribution?



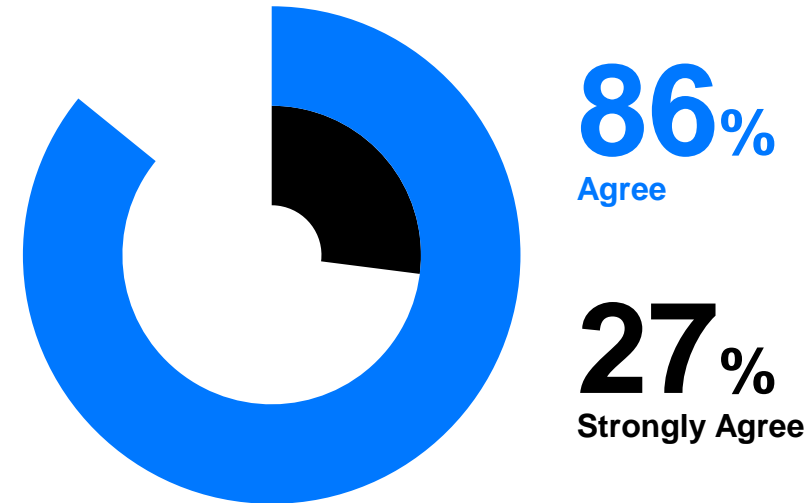
Investors Double Down on ESG

Investors are changing their voting and engagement policy to be more attentive to ESG

My firm has changed its voting and/or engagement policy to be more attentive to ESG risks

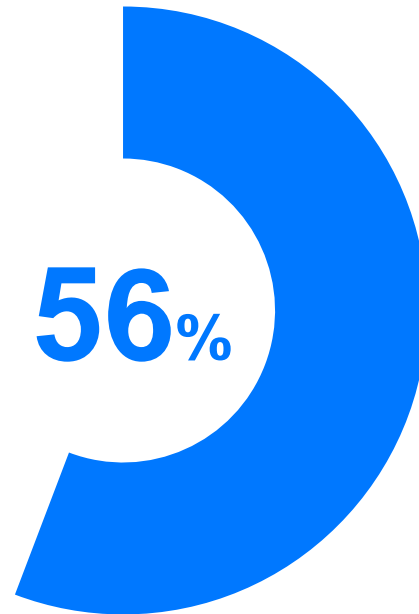


My firm would consider investing with a lower rate of return if it meant investing in a company that addresses sustainable or impact investing considerations



Globally, more than half of investment firms are hiring more staff for ESG

Firms Hiring Additional Staff for ESG
% Selected Yes

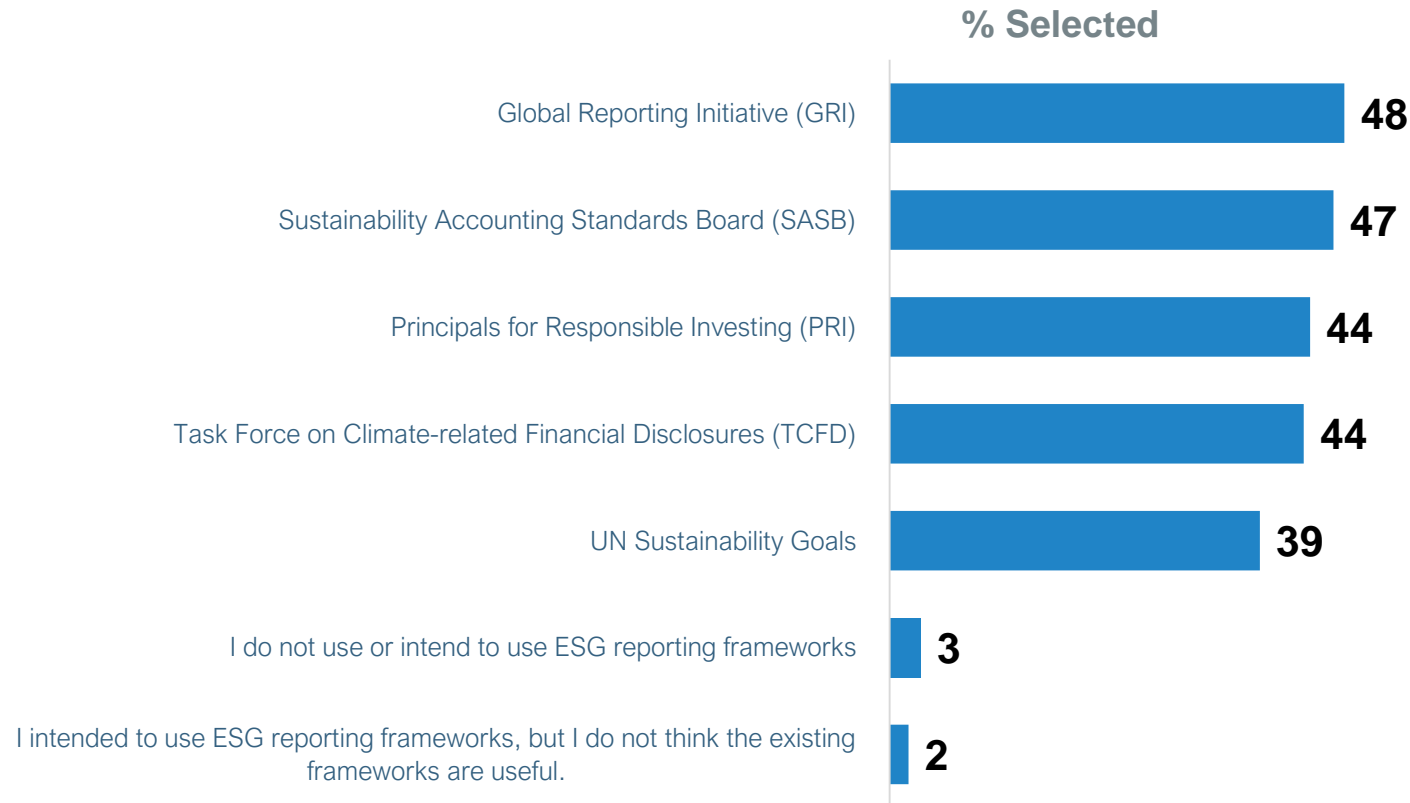


ESG hires drive investment decisions



GRI and SASB are the leading frameworks investors use to evaluate ESG practices

ESG Reporting Frameworks Used in Investment Decisions



Investors assess corporate culture by speaking with senior leadership and employees

Percent that selected “a healthy company culture has a significant positive impact on trust”

Methods Used to Evaluate Corporate Culture
% Selected



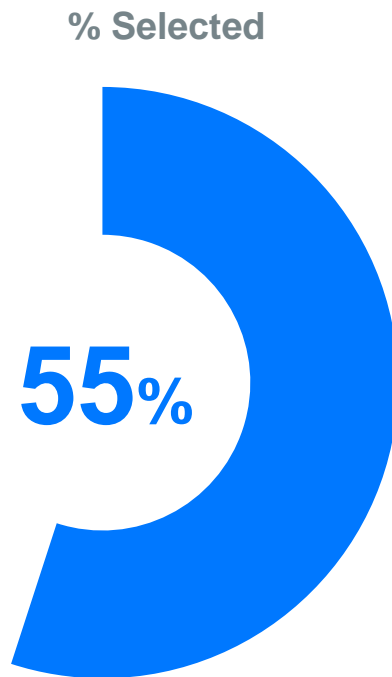
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Q4: You just said that maintaining a healthy culture has a significant positive impact on your trust in a company. What metrics or methods do you use to evaluate corporate culture and the success of the company’s human capital management practices?

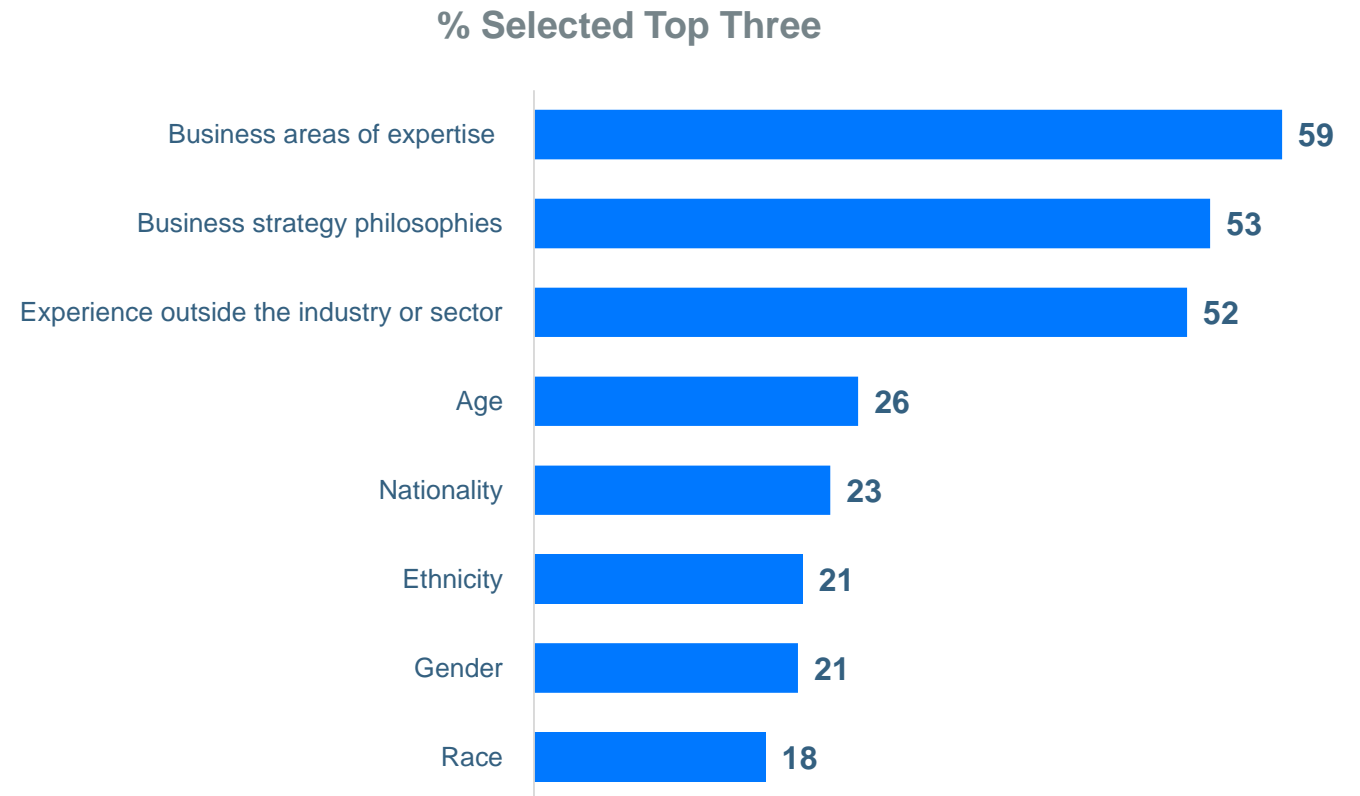
Investors believe Board diversity should be multi-dimensional

Among those that selected “diversity within a company’s Board has a significant positive impact on trust”

Diversity within a company’s board has a significant positive impact on trust



Important Types of Diversity to Build Trust



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Q5: How much does each of the following corporate governance practices positively impact your trust in a company that you are/may consider investing in or recommending?

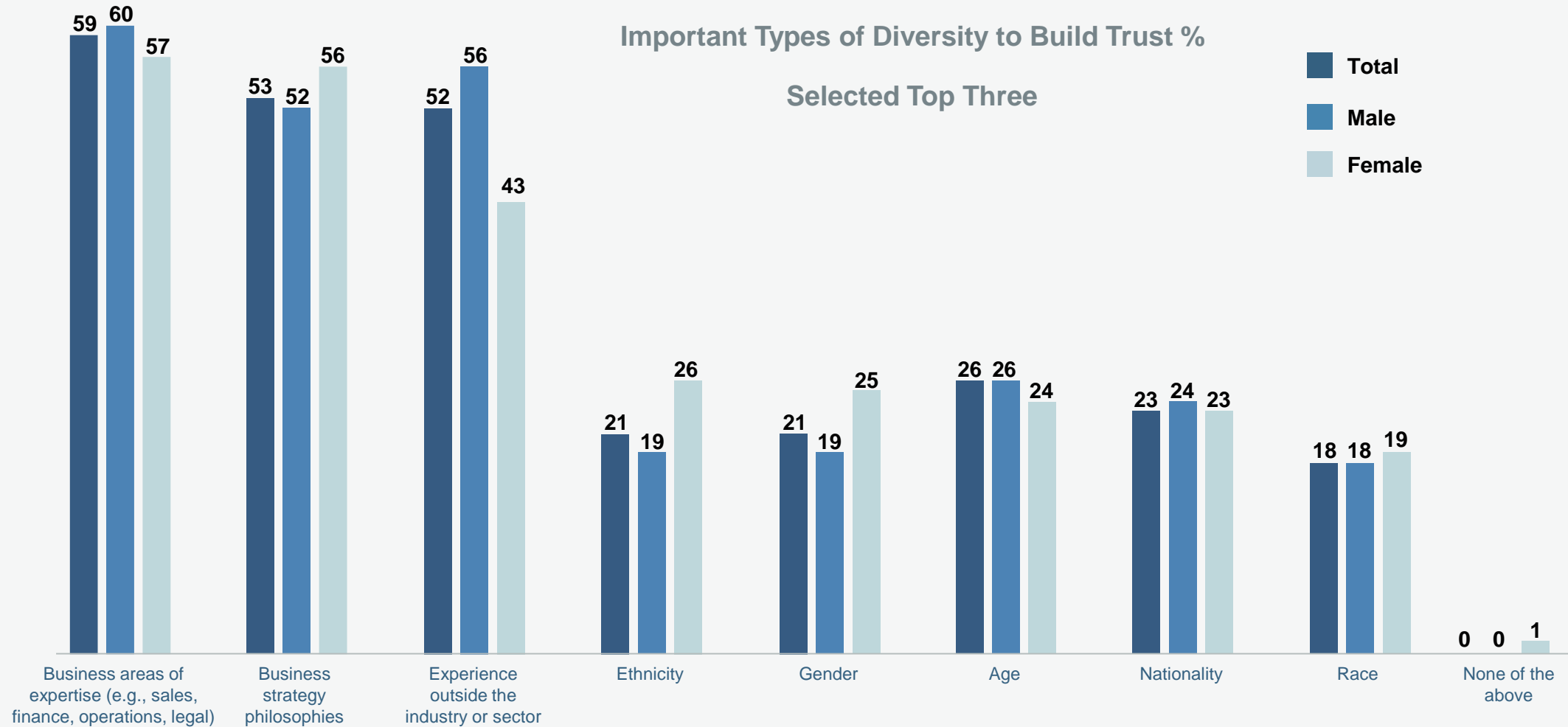
For each one, please indicate the level of impact using a 9-point scale where 1 means “no positive impact on trust” and 9 means “a great deal of positive impact on trust.”

Q6: You just said that diversity within a company’s Board of Directors and executive team has a significant positive impact on your trust in a company.

What are the top 3 types of diversity you consider to be the most important when it comes to trust building?

Investors believe Board diversity should be multi-dimensional

Among those that selected “diversity within a company’s Board has a significant positive impact on trust”



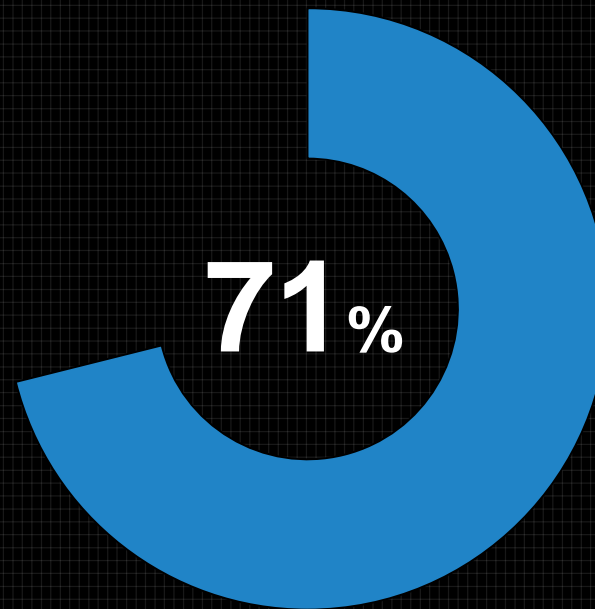


Without Trust, Beware Multi-Stakeholder Activism

Companies become vulnerable when overemphasizing shareholder returns

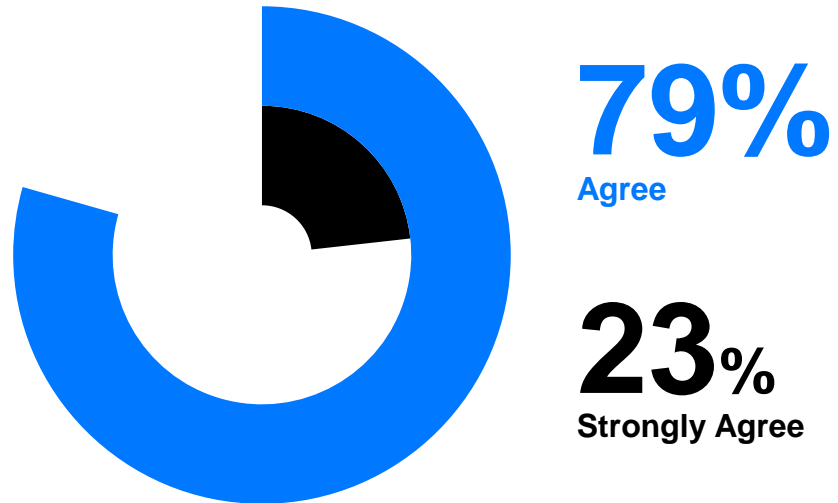
Are companies partially responsible for current employee and consumer activism because they overemphasize shareholder returns at the expense of other stakeholders?

% Selected Yes

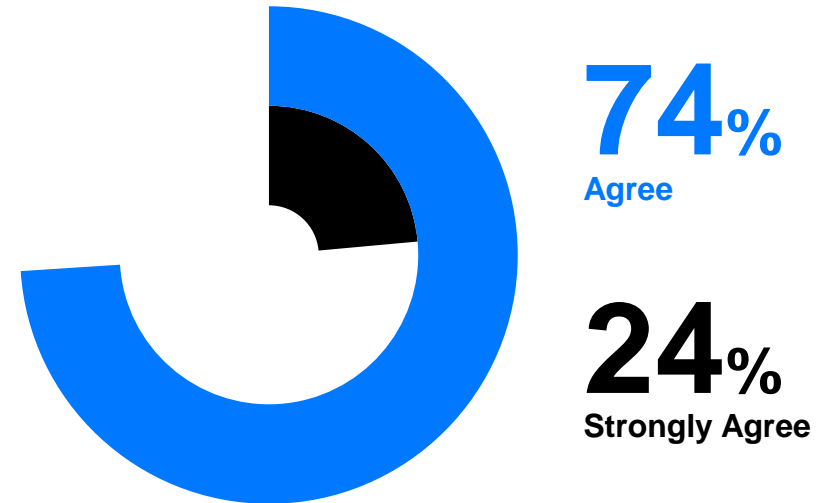


Employee activism makes a company a less attractive investment

Most companies are not prepared for employee activism

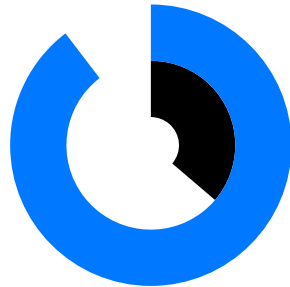


Companies with activist employees are less attractive investments



Shareholder activism is alive and well

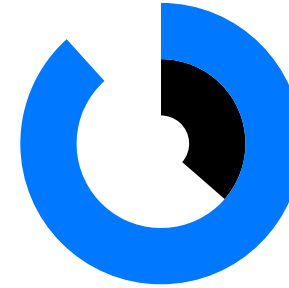
I will support a reputable activist investor if I believe change is necessary at a company I invest in or recommend investing in



90%
Agree

36%
Strongly Agree

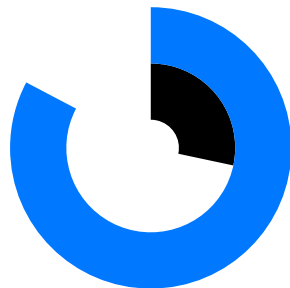
I believe my firm's actions can have a meaningful role in influencing a company's operating performance



88%
Agree

36%
Strongly Agree

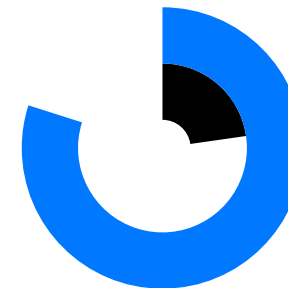
In general, as a firm, we are more interested in taking an activist approach to investing



83%
Agree

28%
Strongly Agree

Most companies are not prepared to handle activist campaigns



80%
Agree

23%
Strongly Agree

Companies are unprepared because they fail at identifying emerging risk

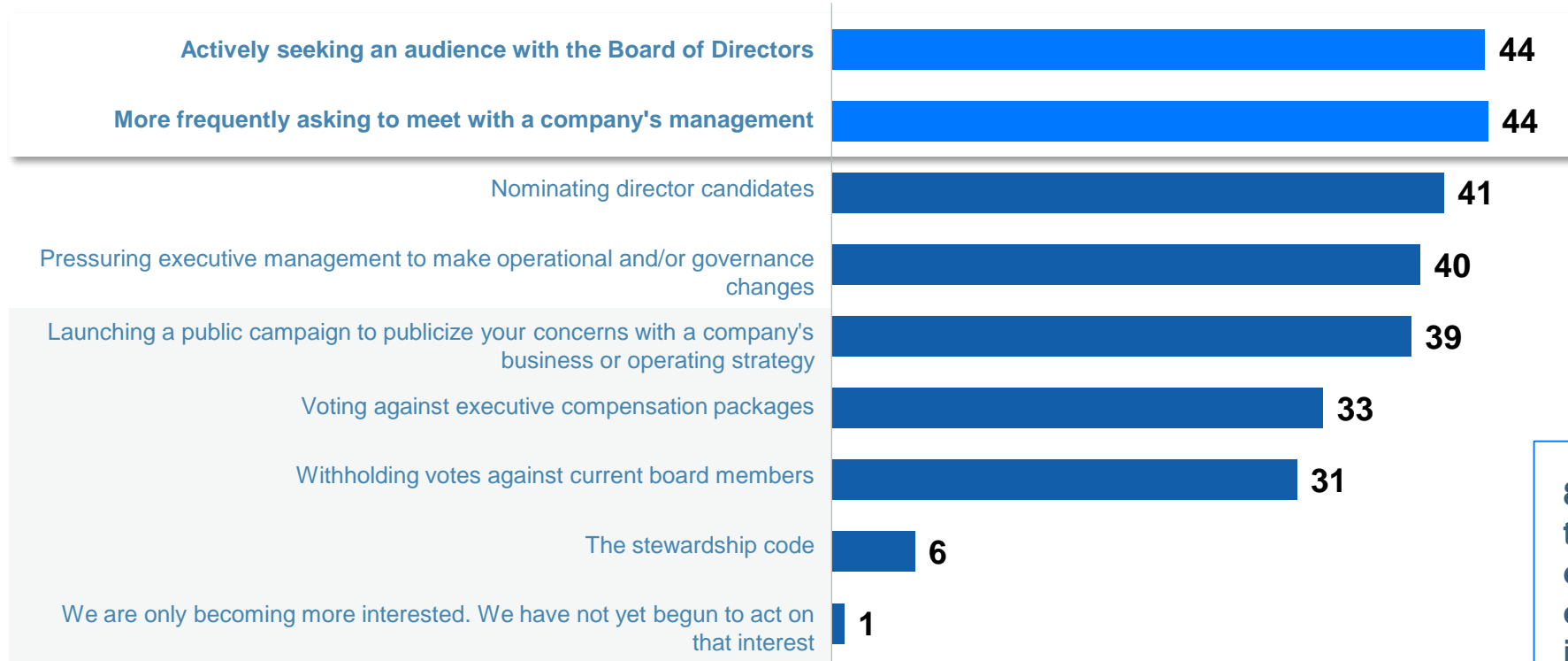
Among those that selected “most companies are not prepared to handle activist campaigns”



In the face of activism, Board engagement is as important as management engagement

Among those that selected “my firm is interested in taking an activist approach to investing”

Ways Firms are Taking an Activist Approach

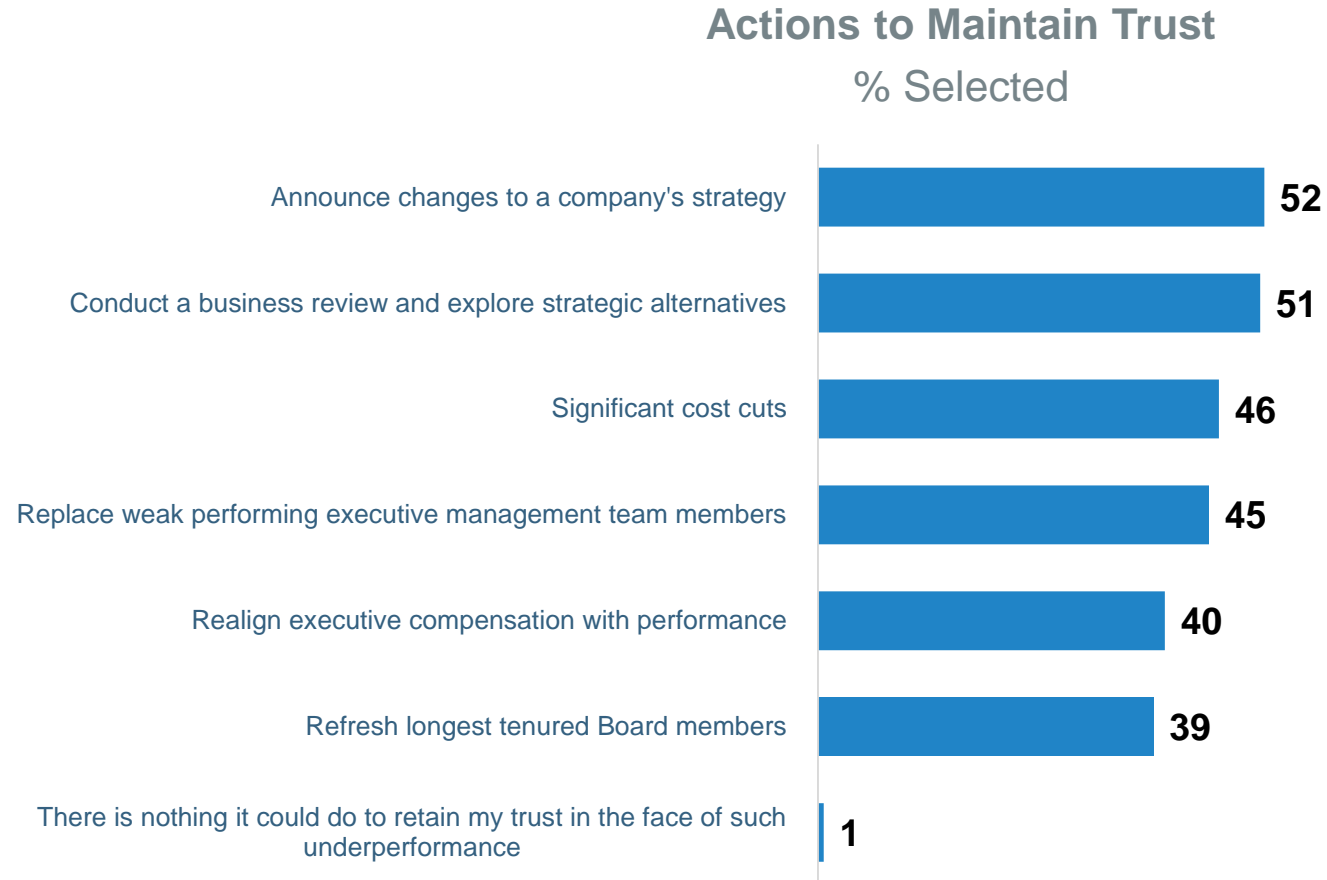


86% of investors must trust a company's Board of Directors before making or recommending an investment

The background is a dark, monochromatic photograph of a modern interior space. It features a staircase with wide, dark steps leading upwards. The walls and ceiling are composed of large, dark panels. Overlaid on this scene are several thin, blue, wavy lines that flow across the frame, creating a sense of movement and digital connectivity. The text is centered in the lower half of the image.

Re-establishing Trust Amidst Underperformance: Back to Basics

Shoring up trust for underperforming companies



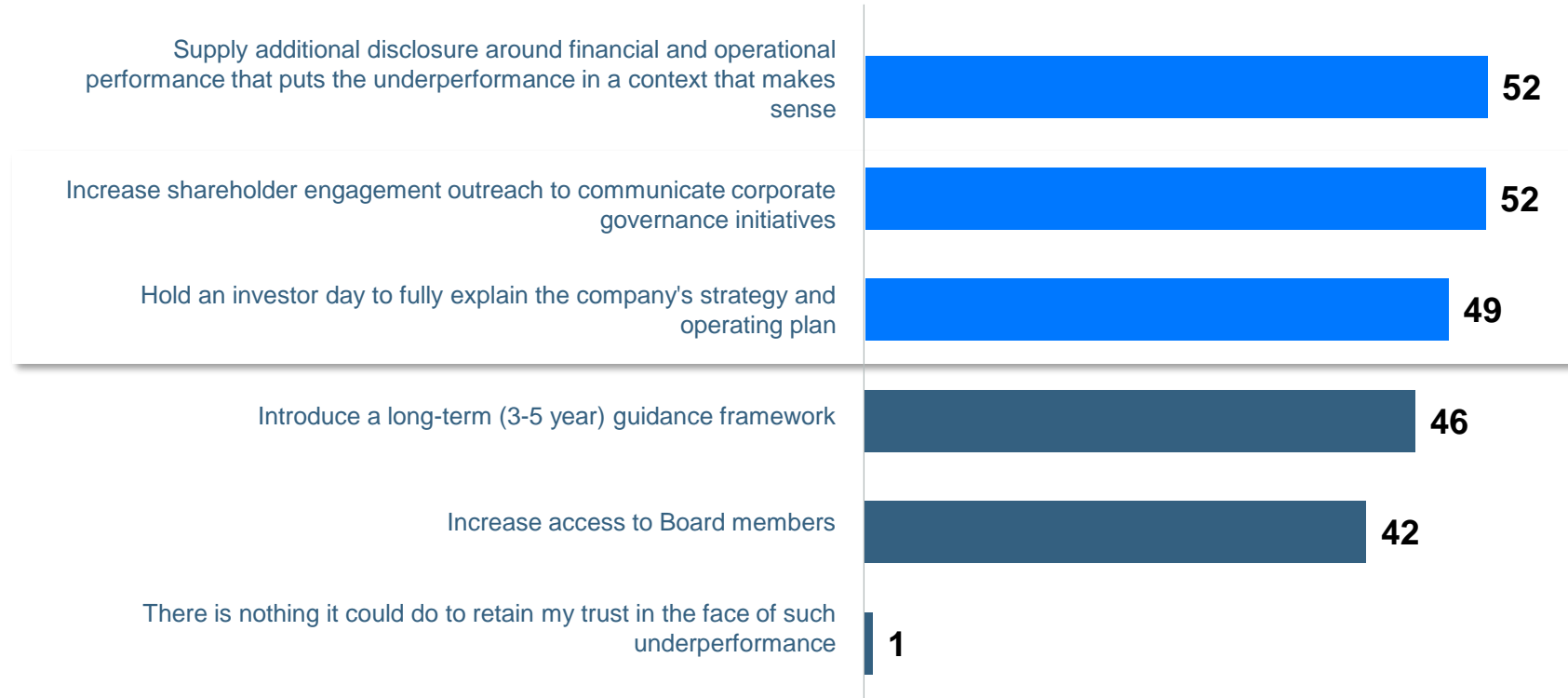
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Q12: If a company is underperforming compared to its peers and trading at a significant discount, what actions can it take to maintain your trust in its ability to improve its performance or meet expectations going forward?

Increased transparency and shareholder engagement can also help to maintain trust

Communication Tactics to Maintain Trust

% Selected

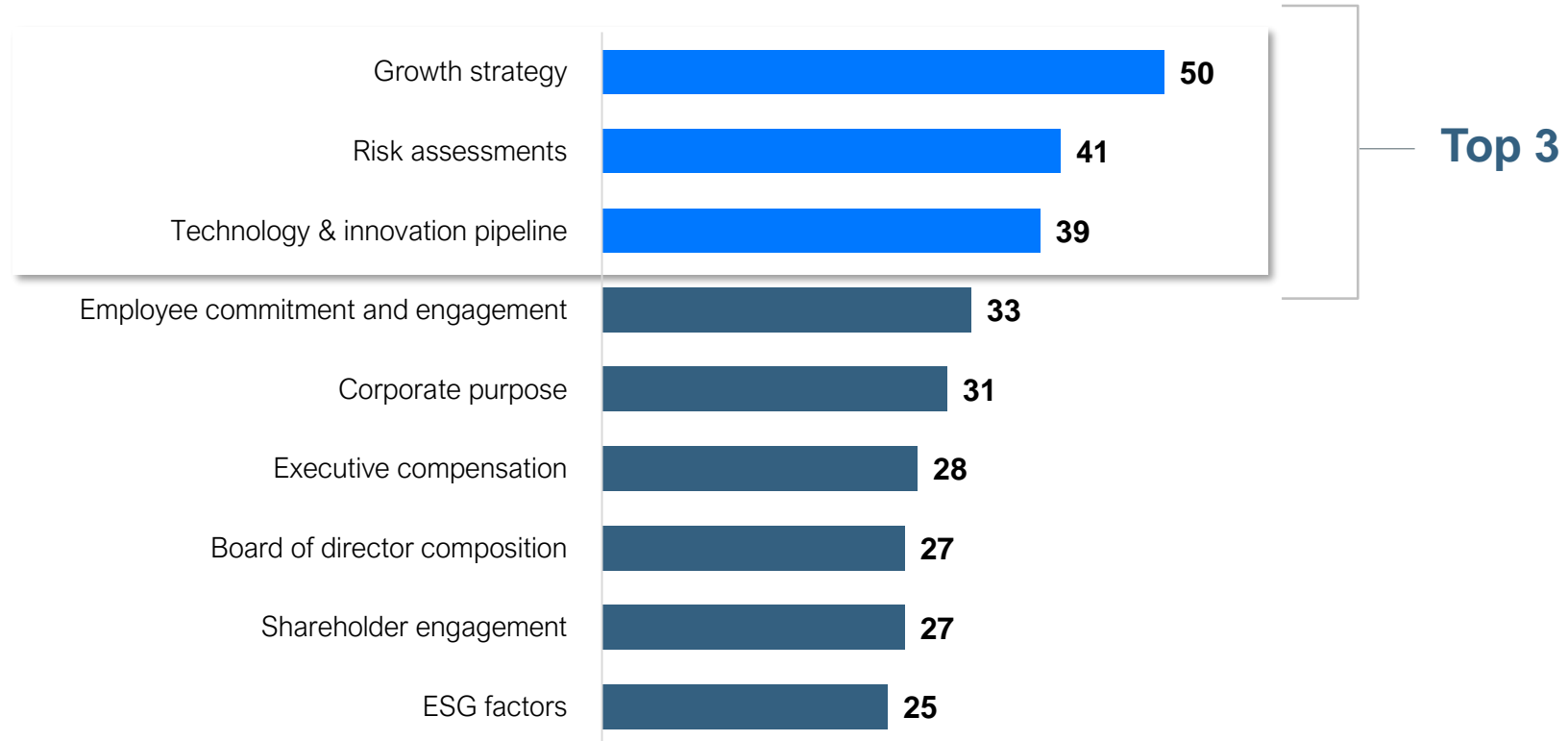


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Q13: If a company is underperforming compared to its peers and trading at a significant discount, what communication tactics can it take to maintain your trust in its ability to improve its performance or meet expectations going forward?

Primary drivers of long-term valuation

Important Attributes for Long-Term Valuation
% Selected Top 3 Most Important



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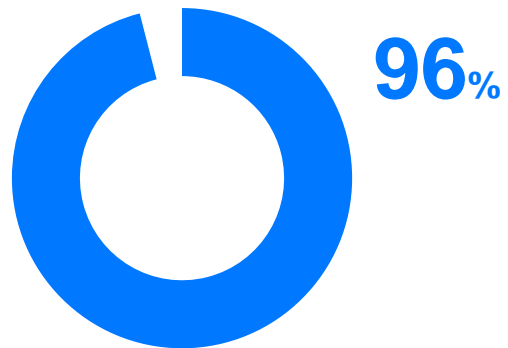
Q14: Beyond financial projections, what other aspects are important to determine a company's long-term (3-5 year) valuation? Please select the 3 most important aspects that you use to determine a company's long-term valuation.



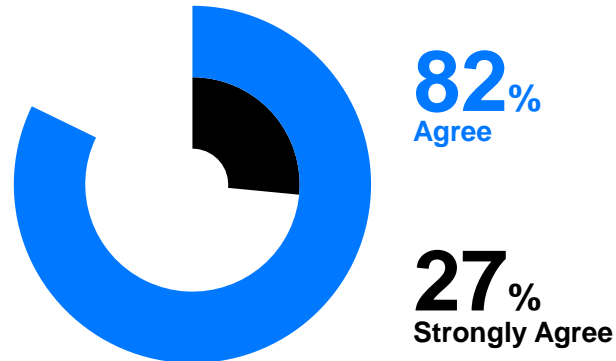
Social Channels Matter

Company and leadership social media content matters

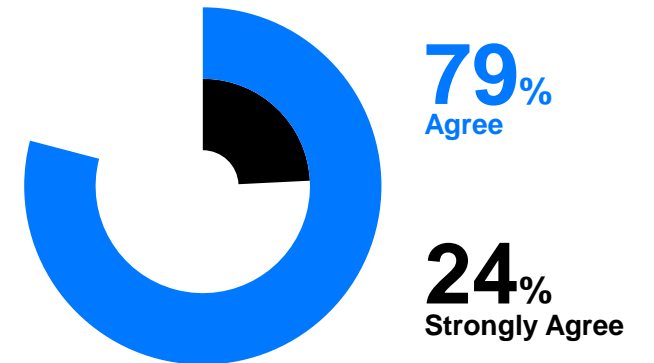
Investors use 1 or more social platforms on a weekly basis



When evaluating a current or prospective investment, I consult the **company's** social media channels



When evaluating a current or prospective investment, I consult the **executive's** social media channels





Appendix

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Special Report: Institutional Investors

2019 Edelman Trust Barometer

Methodology

Online Survey in 6 Markets

610 respondents total

U.S. n=104

U.K. n=100

Germany n=100

Japan n=104

Canada n=101

Netherlands n=101

All fieldwork was conducted between August 30 and September 30, 2019

28-market global data margin of error: General population +/- 0.6% (N=32,200), informed public +/- 1.2% (N=6,200), mass population +/- 0.6% (26,000+), half-sample global general online population +/- 0.8% (N=16,100).

Market-specific data margin of error: General population +/- 2.9% (N=1,150), informed public +/- 6.9% (N = min 200, varies by market, China and U.S. +/- 4.4% (N=500), mass population +/- 3.0 to 3.6 (N =min 740, varies by market).

Institutional Investors

Must meet 6 criteria:

Age 18+

In 6 global markets

No family in advertising/
public relations or market/
public opinion research

In finance/investing

Works in an institution that pools
money to invest

Responsible for decisions regarding
institution's investable assets

