

Edelman Trust Barometer 2021

Special Report:
Institutional
Investors

Global Report



Institutional Investor Trust Report

Methodology

N=700 Institutional Investors

Online quantitative study among

U.S. n=100

UK n=100

Canada n=100

Germany n=100

Japan n=100

The Netherlands n=100

Middle East (UAE & KSA) n=100

**Fielded from August 11th to
September 3rd, 2021**

The margin of error for survey results, at the 95% Confidence Level:

7-Market Global Average: +/- 4%

United States, United Kingdom, Canada, Germany, Japan, Netherlands,

Middle East: +/- 9.8%

Contents

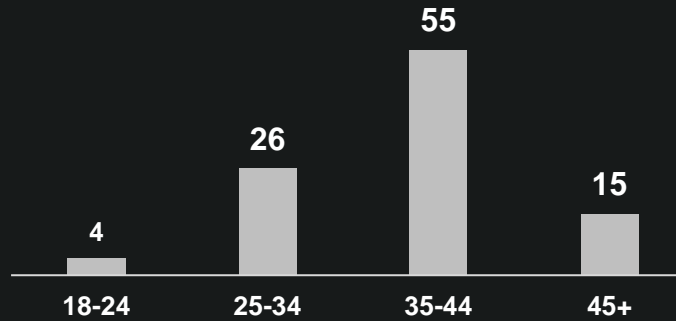
Why is ESG Trust so Low?	05.
A Push for Climate Action	14.
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GLOBAL INVESTOR PROFILE

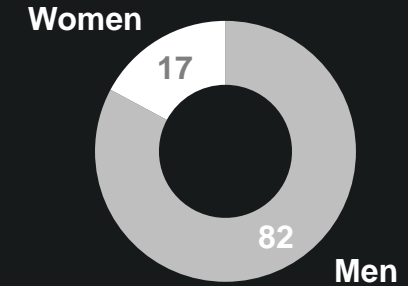
Primary investment style (%)

Growth	31
Value	18
GARP	12
Quantitative/Index	11
Industry-specific	11
Hedge	9
Activist	8

Age (%)



Gender (%)

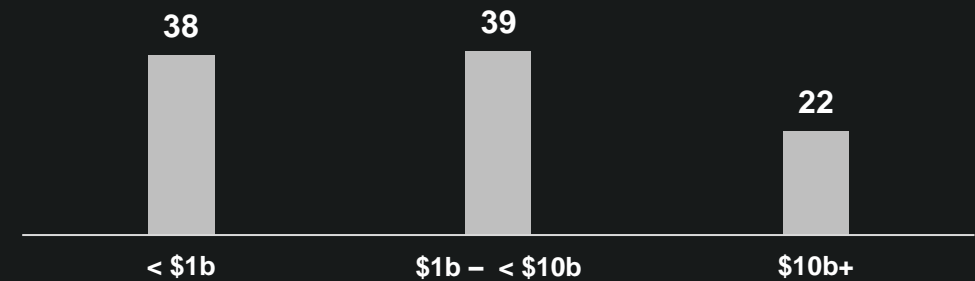


Job titles (%)



Organizations' assets under management (%)

In USD



2021 Edelman Trust Barometer Special Report: Institutional Investors

D2. What is the primary investment style for the funds you manage on behalf of your organization? // S1. What is your current age? // D4. What is your gender?

S8. Which of the following best describes your position or level within your company or organization? // S7. In your current job, approximately how much are your institution's investable assets?

Base: 7-Market Global Average n=700

CRITICAL NEW DYNAMICS FOR BUILDING TRUST WITH INVESTORS

1

Building ESG trust with investors is an uphill battle

Investors are skeptical of ESG disclosures and commitments and foresee an increase in ESG-related litigation.

2

Investors are pushing for climate action

A Net Zero plan is an investor expectation.

3

Investors see value in the empowered employee

Employee activism signals a healthy workplace culture.

4

Traditional investors are engaging in activist tactics

Investors proactively approach activists to effect change at companies.

5

Retail investors are emerging as the next disruptor

Retail investor-focused online communities influence investment decisions.

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WHY IS ESG TRUST SO LOW?

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INVESTORS SCRUTINIZE ESG AS MUCH AS OPERATIONAL AND FINANCIAL FACTORS

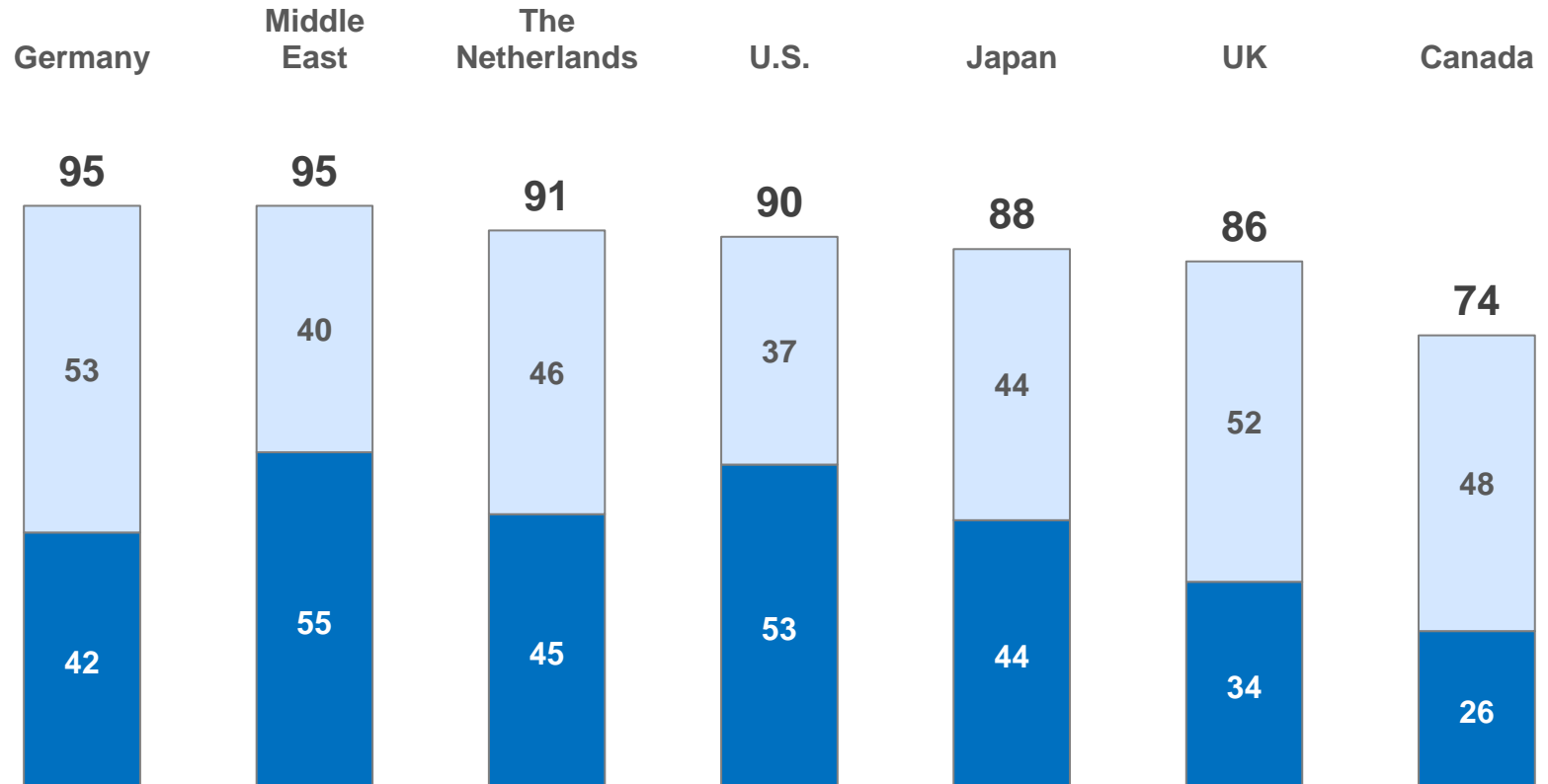
Percent of investors who agree

I subject ESG to the same scrutiny as operational and financial considerations

Global 7

88%

46	Somewhat agree
43	Strongly agree



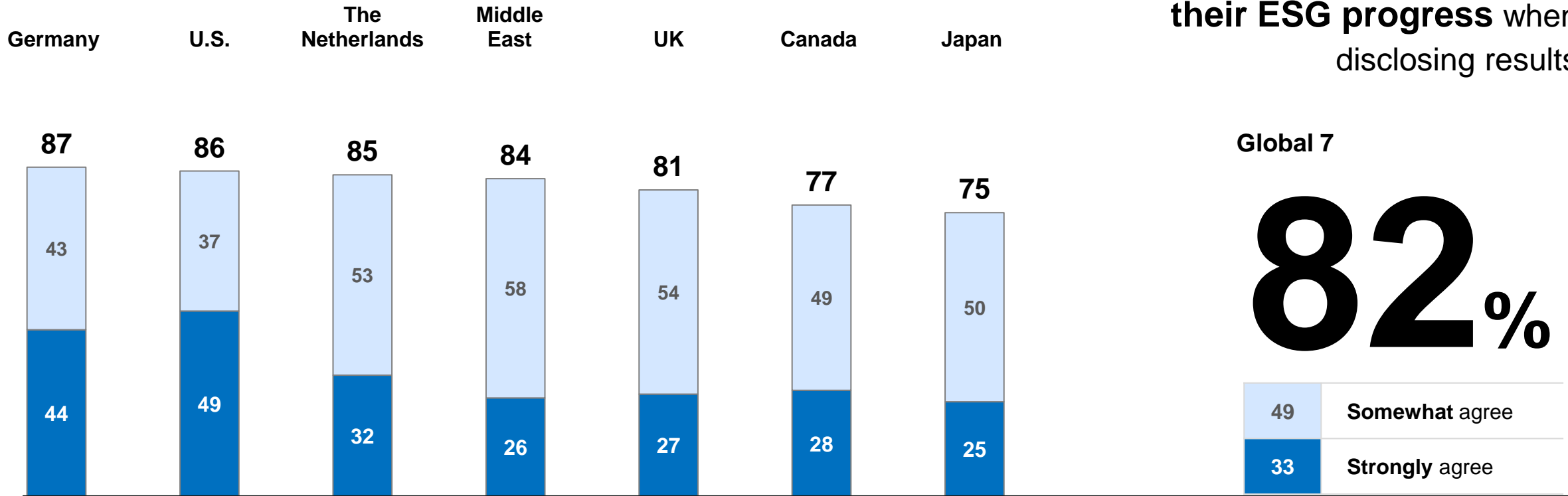
2021 Edelman Trust Barometer Special Report: Institutional Investors. Q7. Please indicate the extent to which you agree or disagree with the following statements regarding shareholder activism? Showing T2B Agree and T1B Strongly Agree.

Base: 7-Market Global Average n=700; United States n=100; Canada n=100; Japan n=100; Germany n=100; Netherlands n=100; United Kingdom n=100; Middle East n=100

INVESTORS QUESTION ACCURACY OF ESG DISCLOSURES

Percent of investors who agree

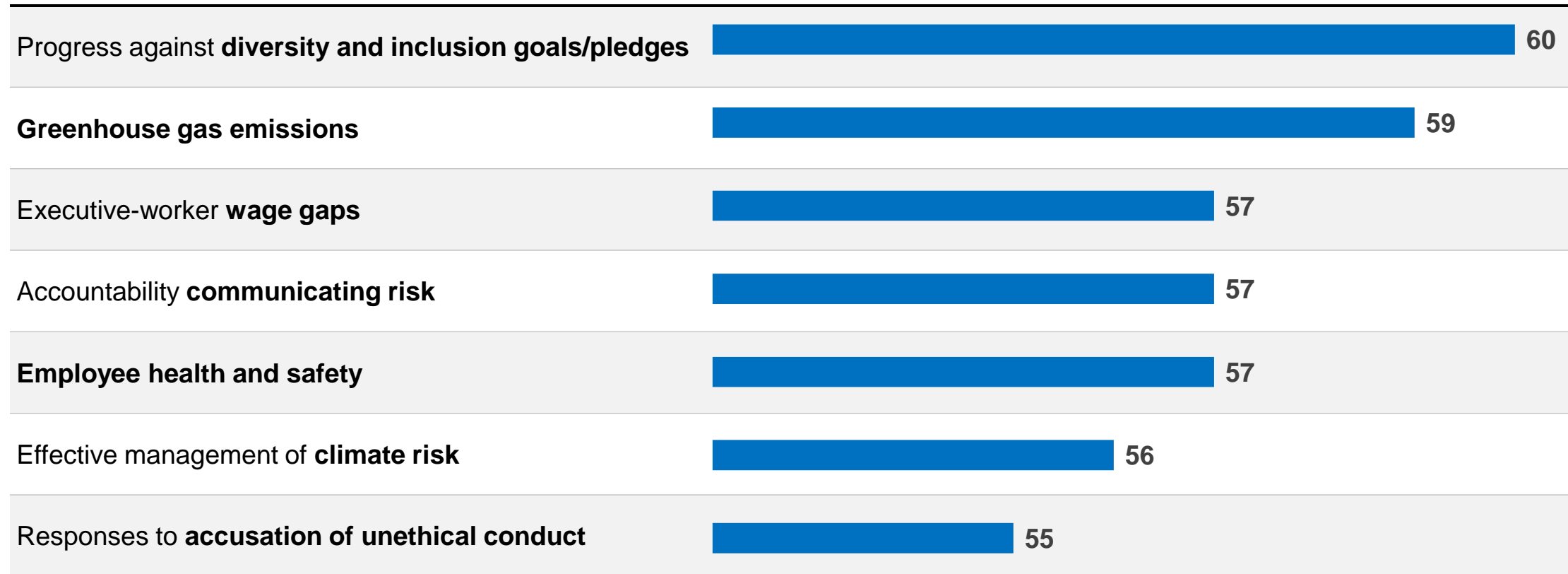
Companies frequently **overstate or exaggerate their ESG progress** when disclosing results



2021 Edelman Trust Barometer Special Report: Institutional Investors. Q23_1: Now please think about the adequacy and accountability of ESG corporate disclosures made by companies. To what extent do you agree or disagree with the following statements? Showing Somewhat Agree, Agree T2B and Strongly Agree T1B. 7-Market Global Average n=700; United States n=100, Germany n=100, Middle East n=100, Japan n=100, Netherlands n=100, UK n=100, Canada n=100

GREATEST INVESTOR DOUBTS AROUND DE&I AND CLIMATE CHANGE DISCLOSURES

Percent of investors who lack full confidence in the accuracy of ESG information that companies disclose to them on each of the following topics, Global 7



MOST INVESTORS DON'T BELIEVE COMPANIES WILL ACHIEVE THEIR ESG COMMITMENTS

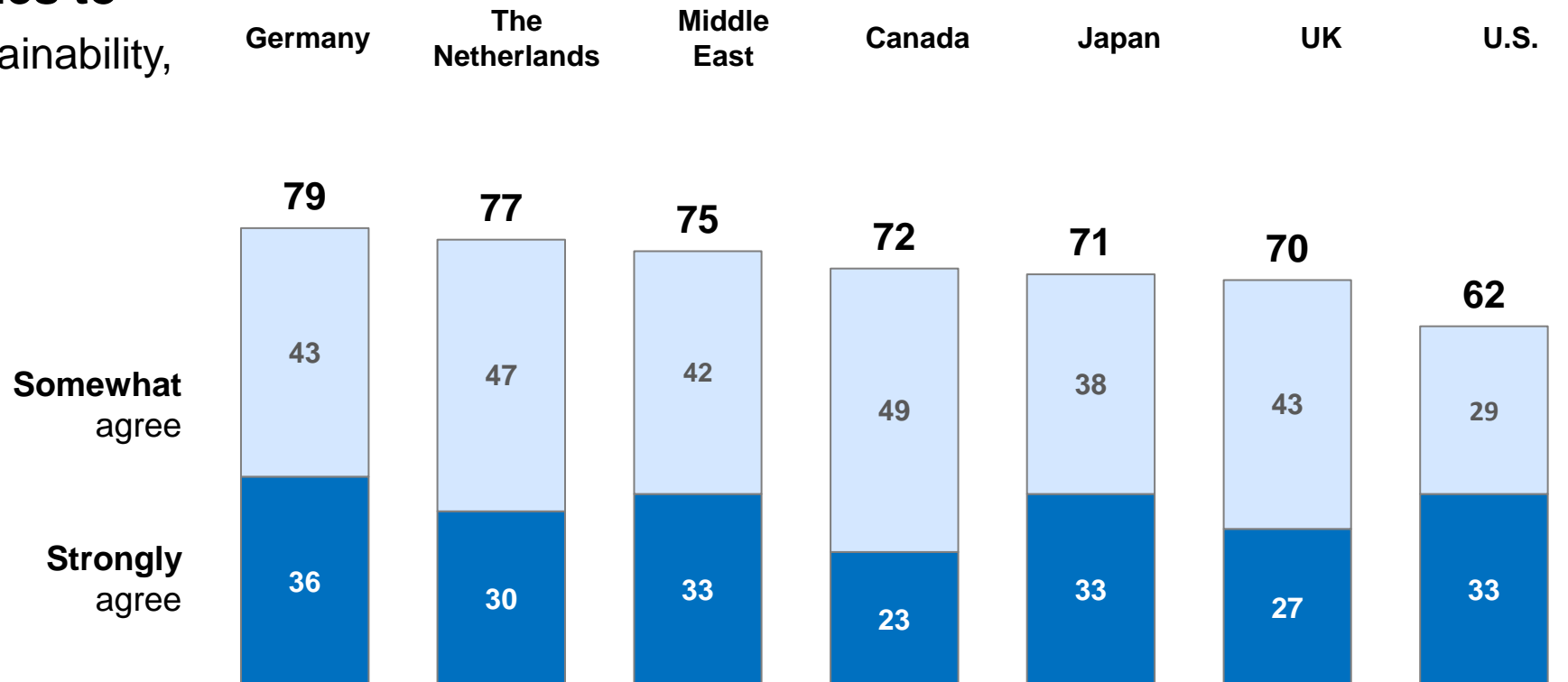
Percent of investors who agree

I do not trust companies to achieve their stated sustainability, ESG or DEI commitments

Global 7

72%

42	Somewhat agree
31	Strongly agree



2021 Edelman Trust Barometer Special Report: Institutional Investors. Q14: Please indicate the extent to which you agree or disagree with the following statements regarding ESG/socially responsible investing (tracking). Showing Agree T2B and Strongly Agree T1B. 7-Market Global Average n=700; United States n=100, Germany n=100, Middle East n=100, Japan n=100, Netherlands n=100, UK n=100, Canada n=100

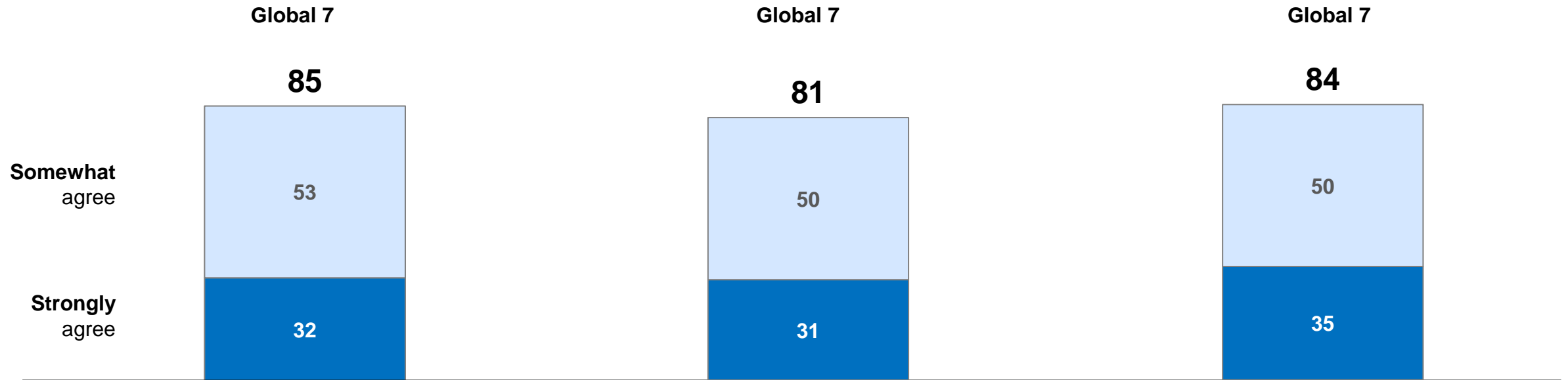
MOST INVESTORS IN FAVOR OF MANDATORY ESG DISCLOSURES AND DESIRE MORE INFORMATION

Percent of investors who agree

I am in favour of **mandatory ESG disclosure**

Companies are **not disclosing enough** ESG information

The **government** should apply more pressure to **enforce ESG compliance**



INVESTORS ON THE LOOKOUT FOR ESG UNDERPERFORMANCE AND GREENWASHING

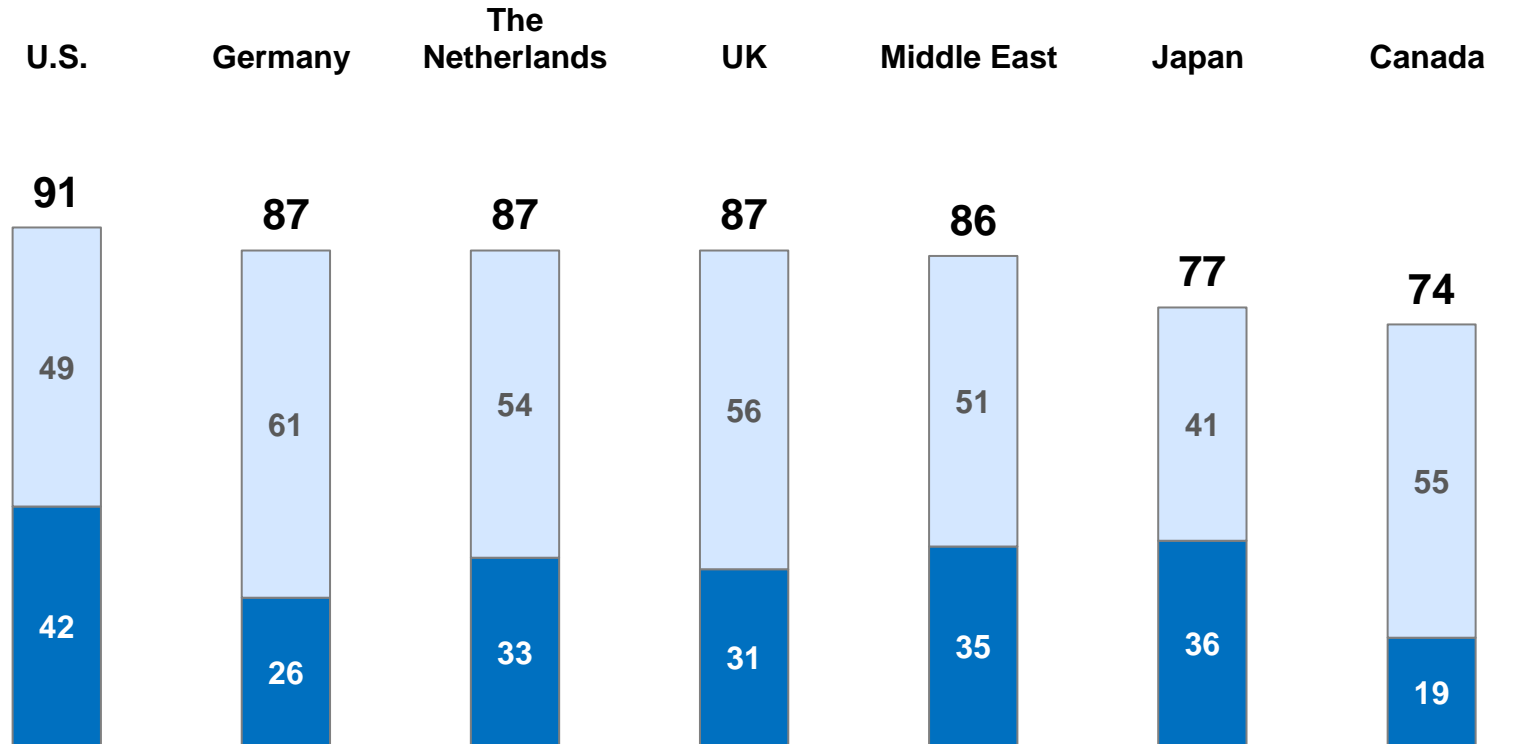
Percent of investors who agree

I specifically look for instances when **companies do not deliver** on their ESG disclosures and promises

Global 7

84%

52	Somewhat agree
32	Strongly agree



2021 Edelman Trust Barometer Special Report: Institutional Investors. Q23_1: Now please think about the adequacy and accountability of ESG corporate disclosures made by companies. To what extent do you agree or disagree with the following statements? Showing Agree T2B and Strongly Agree T1B. 7-Market Global Average n=700; United States n=100, Germany n=100, Middle East n=100, Japan n=100, Netherlands n=100, UK n=100, Canada n=100.

INVESTORS ANTICIPATE AN INCREASE IN ESG-RELATED LITIGATION

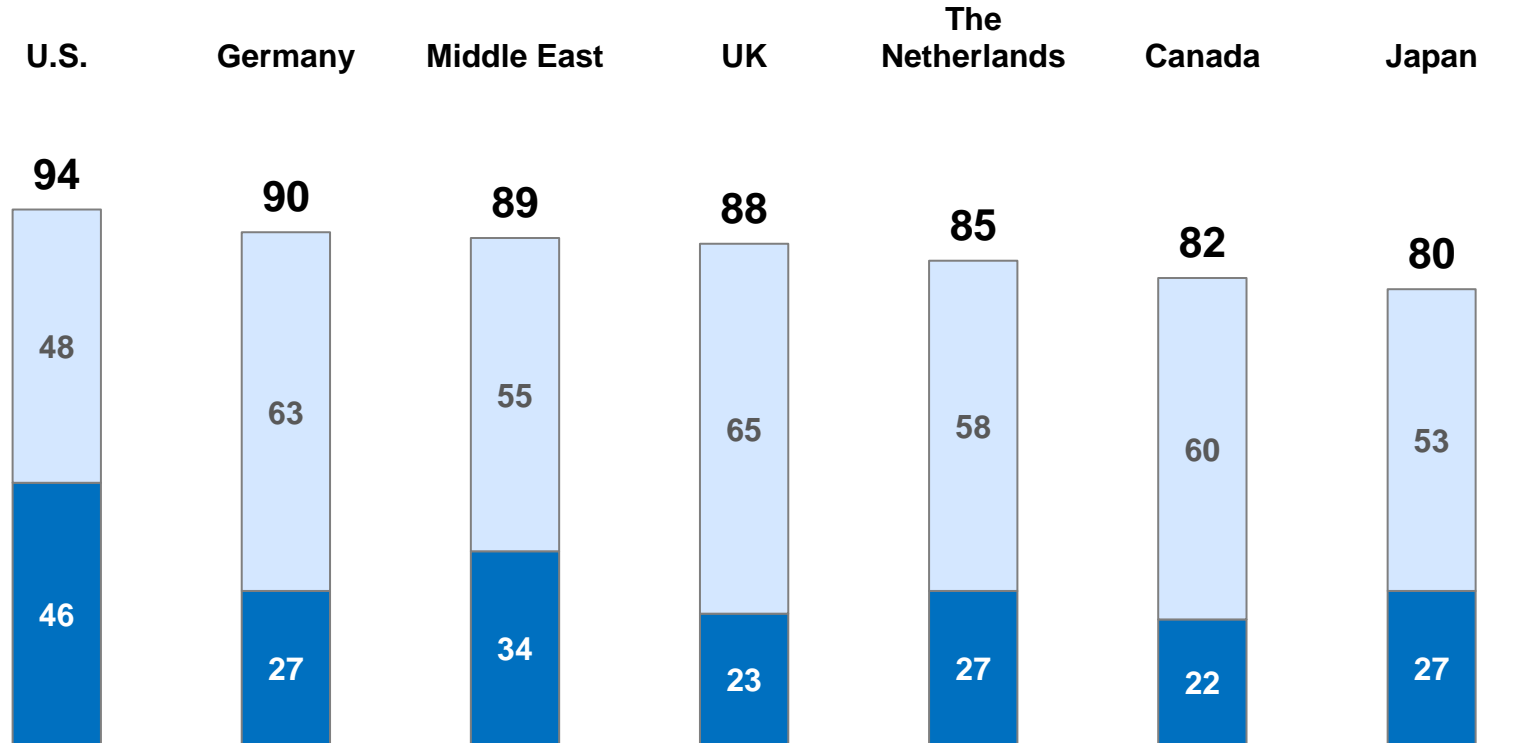
Percent of investors who agree

I anticipate **more litigation** as a result of **companies not delivering on ESG promises**

Global 7

87%

57	Somewhat agree
29	Strongly agree



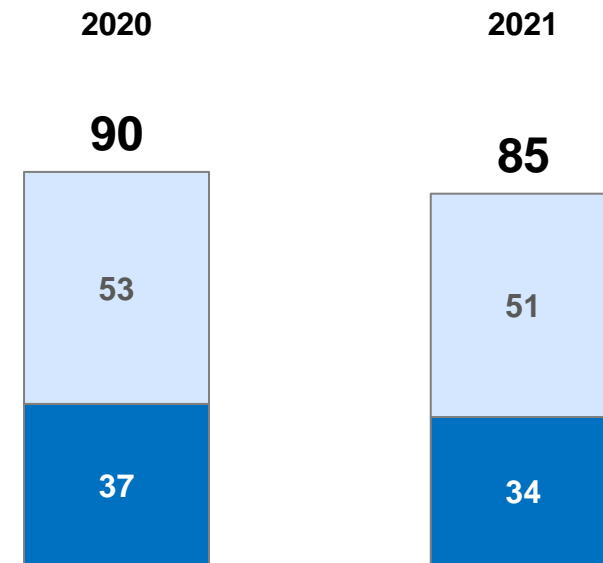
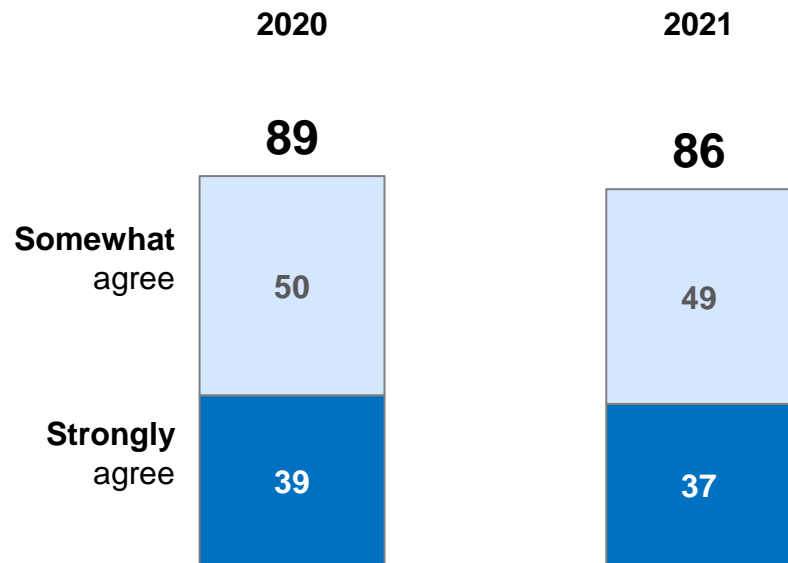
2021 Edelman Trust Barometer Special Report: Institutional Investors. Q23_1: Now please think about the adequacy and accountability of ESG corporate disclosures made by companies. To what extent do you agree or disagree with the following statements? Showing Somewhat Agree, Agree T2B and Strongly Agree T1B. 7-Market Global Average n=700; United States n=100, Germany n=100, Middle East n=100, Japan n=100, Netherlands n=100, UK n=100, Canada n=100

STRONG ESG PERFORMANCE DESERVES A PREMIUM

Percent who agree, Global 6

A company with strong ESG performance **deserves a premium valuation** to its share price

Companies that prioritize ESG integration **represent better opportunities for long-term returns** than those who do not



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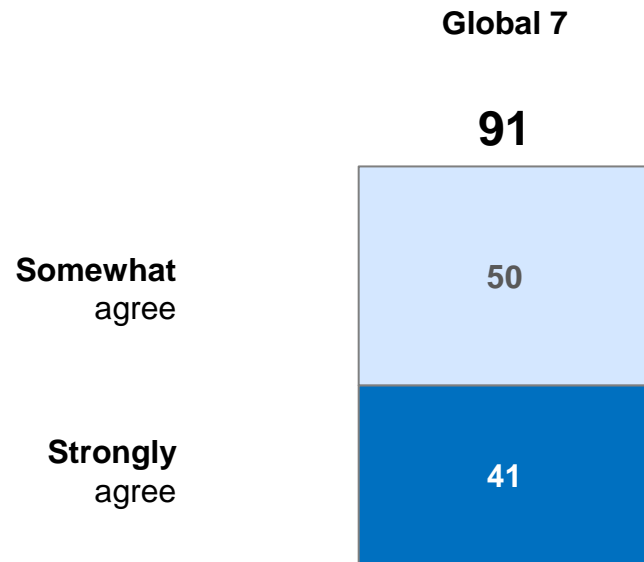
A PUSH FOR CLIMATE ACTION

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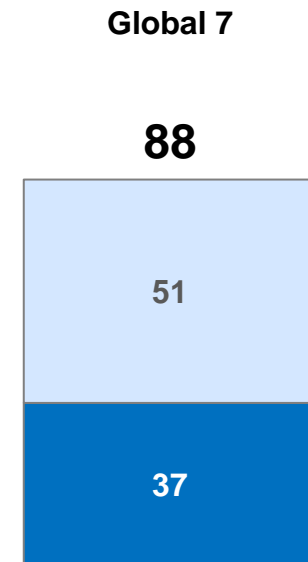
INVESTORS EXPECT NET ZERO PLEDGES

Percent of investors who agree

In the next 12 months, I expect companies
in which I invest to establish and communicate a
plan for **achieving net zero emissions**



Companies that have articulated a **net zero**
plan deserve a premium



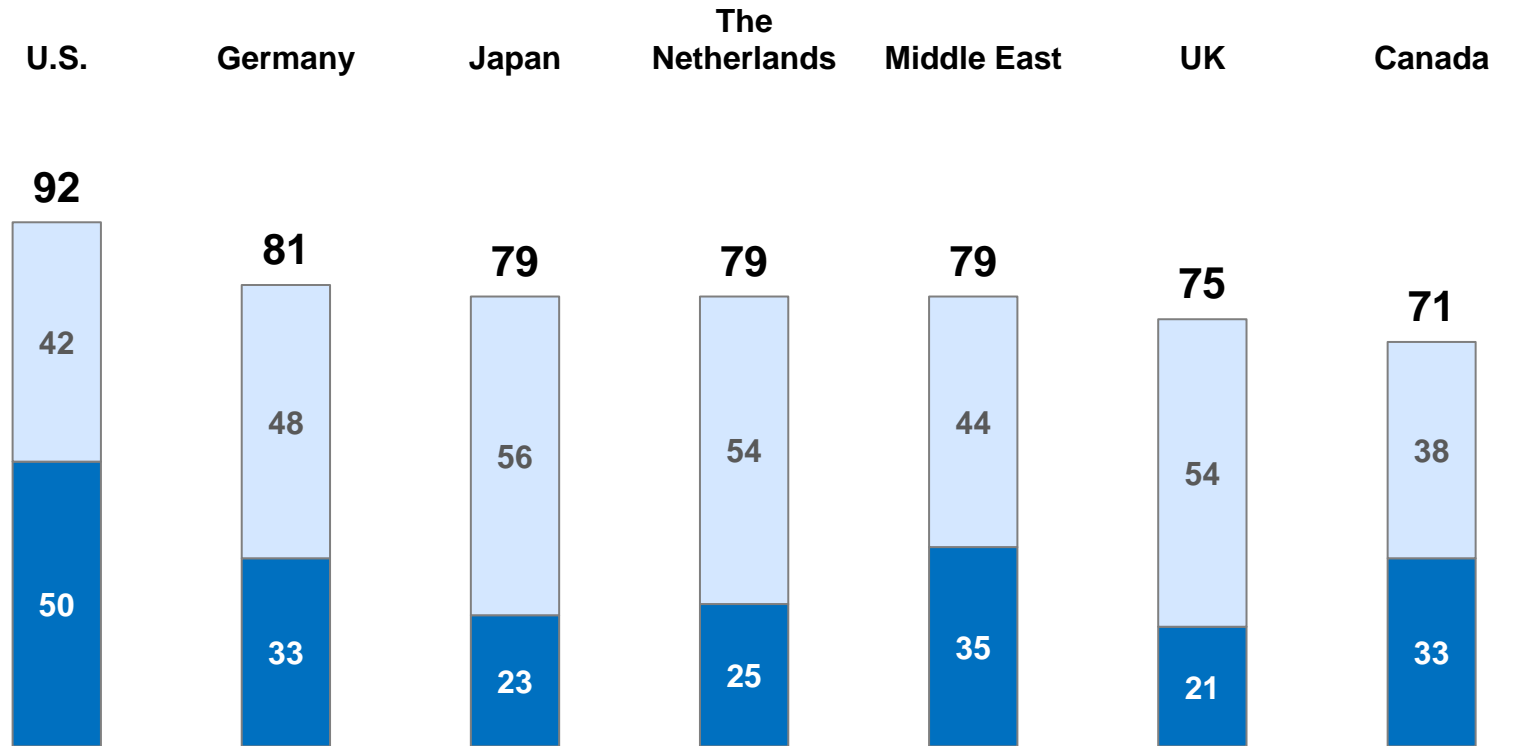
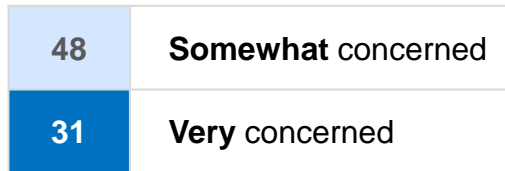
MAJORITY CONCERNED COMPANIES WILL NOT BE ABLE TO MEET NET ZERO COMMITMENTS

Percent of investors who are concerned

I'm concerned companies are **not effectively executing on their net zero pledges**

Global 7

79%



2021 Edelman Trust Barometer Special Report: Institutional Investors. Q29: Thinking about your investment strategy over the next 6-12 months, to what extent, if at all, are you concerned about each of the following? Concerned (T2B) Summary, Very Concerned (T1B) Base: 7-Market Global Average n=700; United States n=100, Germany n=100, Middle East n=100, Japan n=100, Netherlands n=100, UK n=100, Canada n=100

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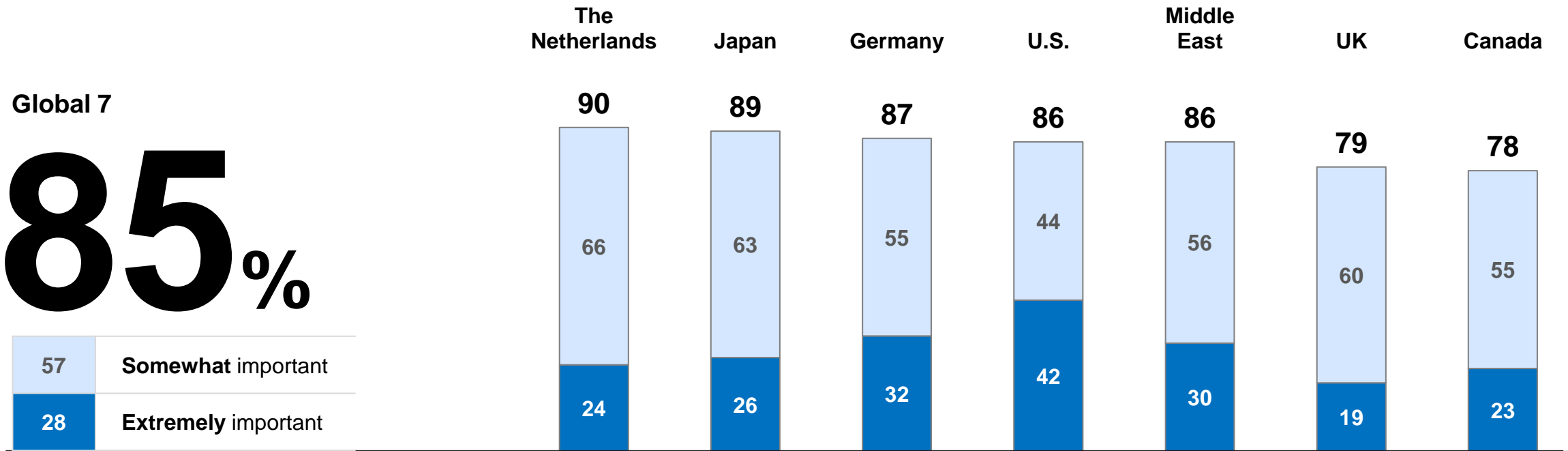
EMPLOYEE ACTIVISM: FROM RISK TO ASSET

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EMPLOYEE EMPOWERMENT BUILDS INVESTOR TRUST

Percent of investors who say

Having a **workplace culture that fosters employee empowerment** is important for building trust in a company I'm considering investing in



2021 Edelman Trust Barometer Special Report: Institutional Investors. Q4.1A How important, if at all, are each of the following in building your trust in a company you are considering investing in? Showing T3B Important, Extremely Important (T1B) and Somewhat / Very Important (7/8). 7-Market Global Average n=700; United States n=100, Germany n=100, Middle East n=100, Japan n=100, Netherlands n=100, UK n=100, Canada n=100

EMPLOYEE ACTIVISM SIGNALS A HEALTHY WORKPLACE CULTURE

Global 7

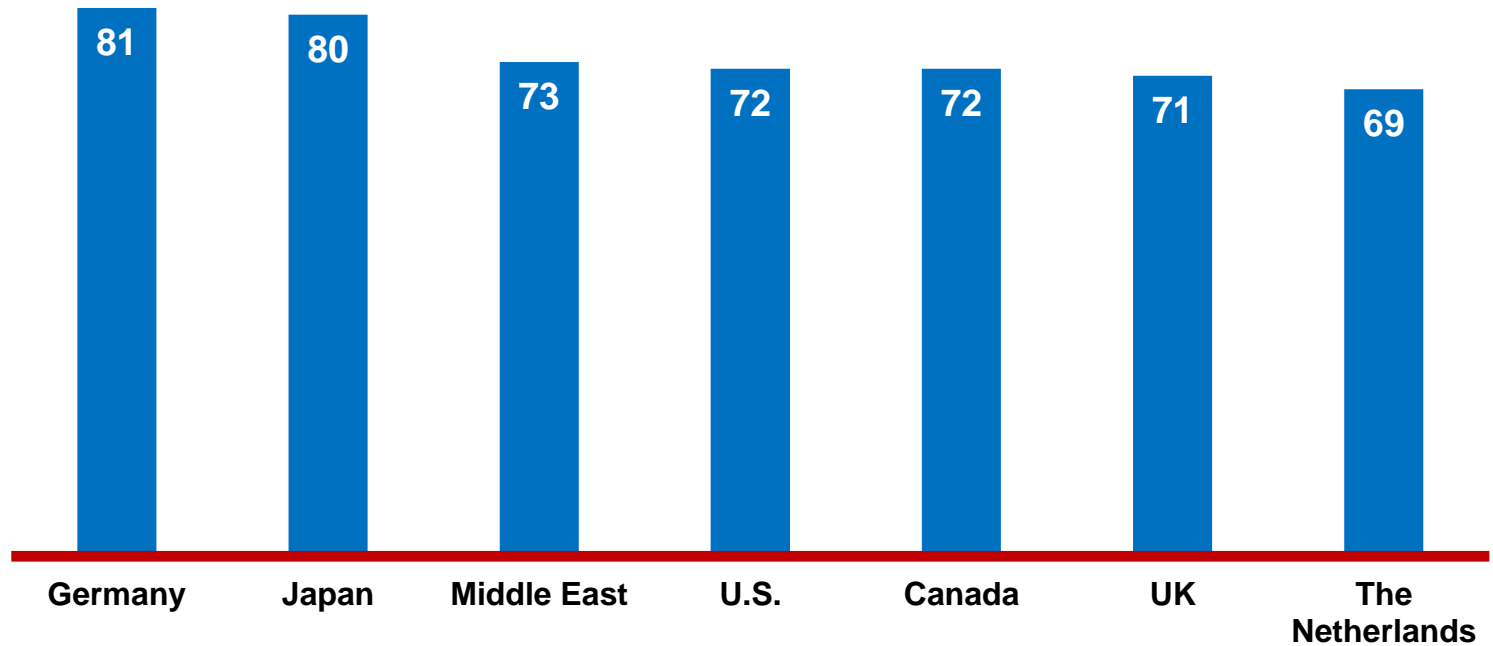
74%

Employee activism
within a company is
indicative of....

a **healthy workplace
culture**, good leadership
and/or highly engaged workforce

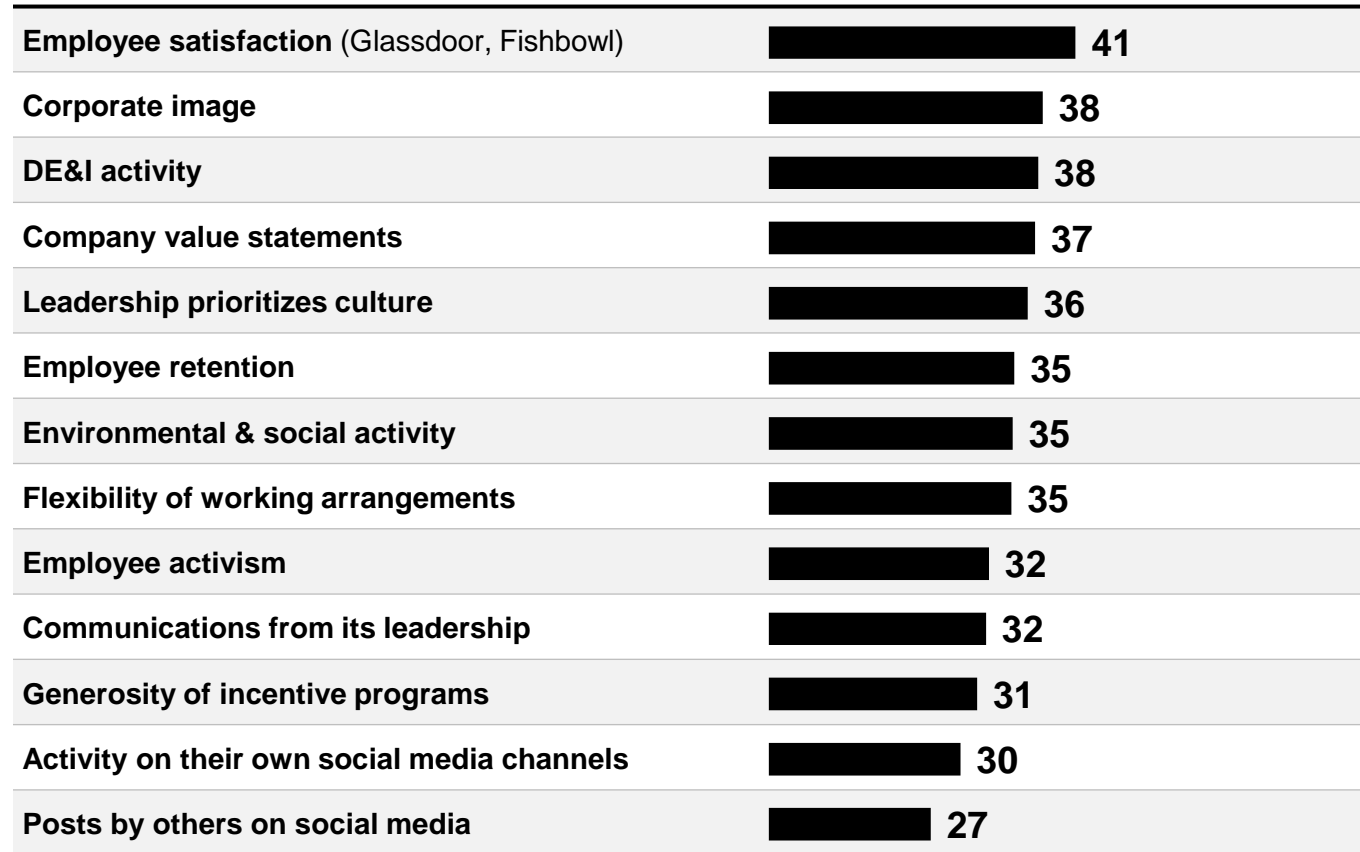
or -----

an **unhealthy workplace
culture**, poor leadership and/or a
disgruntled workforce



INVESTORS CONDUCTING BROAD ANALYSIS OF COMPANY CULTURE

Among global investors who say employee empowerment is important to trust, percent who use each to assess company culture

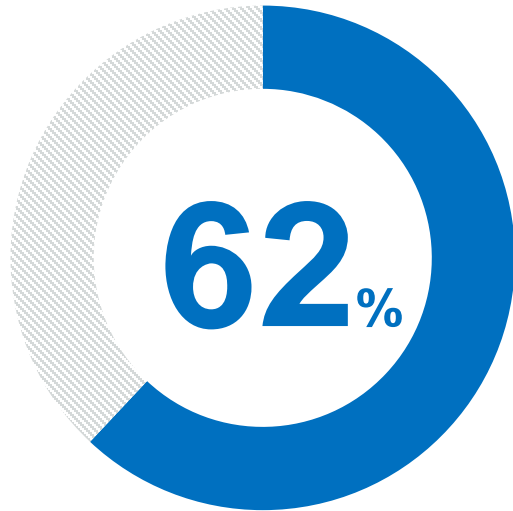


85%

use 3 or more sources
to assess company culture



ACCOUNTABILITY FOR CULTURE IS TOP EXPECTATION OF THE BOARD



Agree that it is important for a board of directors to be **held accountable for maintaining a positive company culture**

Percent who rank each as one of the **top 3 most important expectations** for the board of directors within a company of interest

Manifest diversity across demographics, skillset, perspectives	36
Be held accountable for maintaining positive company culture	34
Ensure CEO compensation is linked to company performance	32
Be visible during major announcements and executive transitions	31
Engage with investors directly	29
Be proactive in removing CEOs when performance is lagging	29
Establish a dedicated ESG committee	25
Ensure there is a favorable 'say on pay' vote	24



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**NEARLY ALL INVESTORS
PRONE TO ACTIVISM**

⊥

OVER 2 IN 3 INVESTORS WOULD USE AGGRESSIVE ACTIVIST MEASURES

Percent who agree, Global 7

88%

We are **more interested in taking an activist approach** to investing

Specific ways their firm is trying to be more activist

Collaborative approach

*Asking to meet with company management
Actively seek audience with the board*



Moderate activist measures

*Submit ESG proposals
Vote against executive compensation
Nominate candidates; withhold votes from board members*



Aggressive activist measures

*Pressure management for operational/governance changes
Publicize concerns with company strategy*



INVESTORS PROACTIVELY APPROACH ACTIVISTS TO EFFECT CHANGE

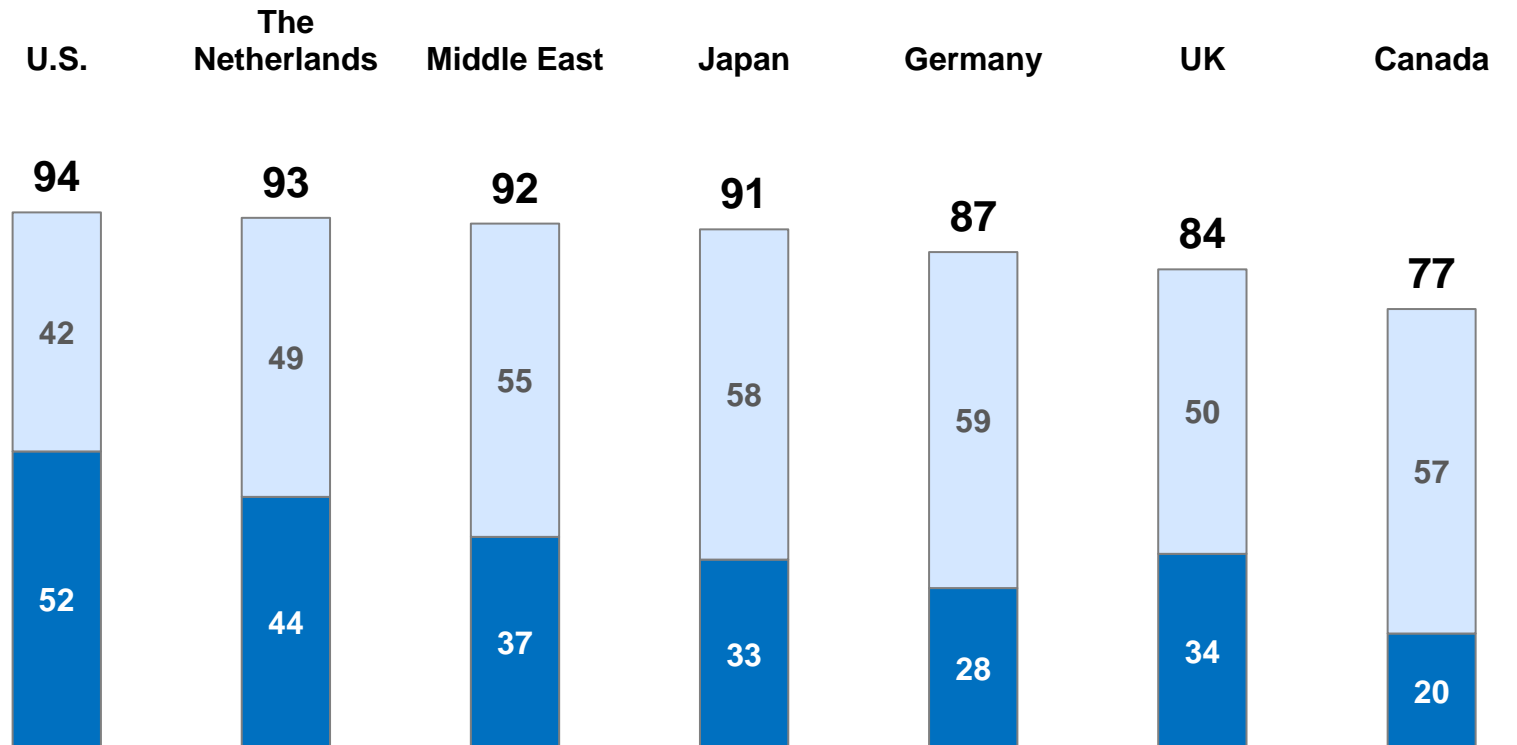
Percent of investors who agree

I proactively approach reputable activists with ideas for effecting change in companies I am or am thinking about investing in

Global 7

88%

53	Somewhat agree
35	Strongly agree



2021 Edelman Trust Barometer Special Report: Institutional Investors. Q7. Please indicate the extent to which you agree or disagree with the following statements regarding shareholder activism. "I proactively approach reputable activists with ideas for effecting change in companies I am (or am thinking about) investing in". Showing T1B Strongly Agree. 7-Market Global Average n=700; US n=100, Netherlands n=100, Middle East n=100, UK n=100, Japan n=100, Germany n=100. Canada n=100

SHAREHOLDER ACTIVISM MOST LIKELY AROUND ENVIRONMENTAL IMPACT

Percent of global investors who are likely to engage in **shareholder activism** in regards to the following issues

		% investors who are already engaged
Eco efficiency of company's operations	72	21
Climate risk	72	20
Executive compensation	71	22
Environmental/social impact of supply chain	71	20
Greenhouse gas emissions	69	22
Board structure	69	23
Diversity and inclusion	68	24
Company culture	68	25
Employee welfare	65	28



FUNDAMENTAL METRICS REMAIN A PRIORITY

Percent of global investors who chose one or more item in each category as a **top three most important** trust drivers of companies they are considering investing in



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RETAIL INVESTORS ARE DRIVING MARKETS

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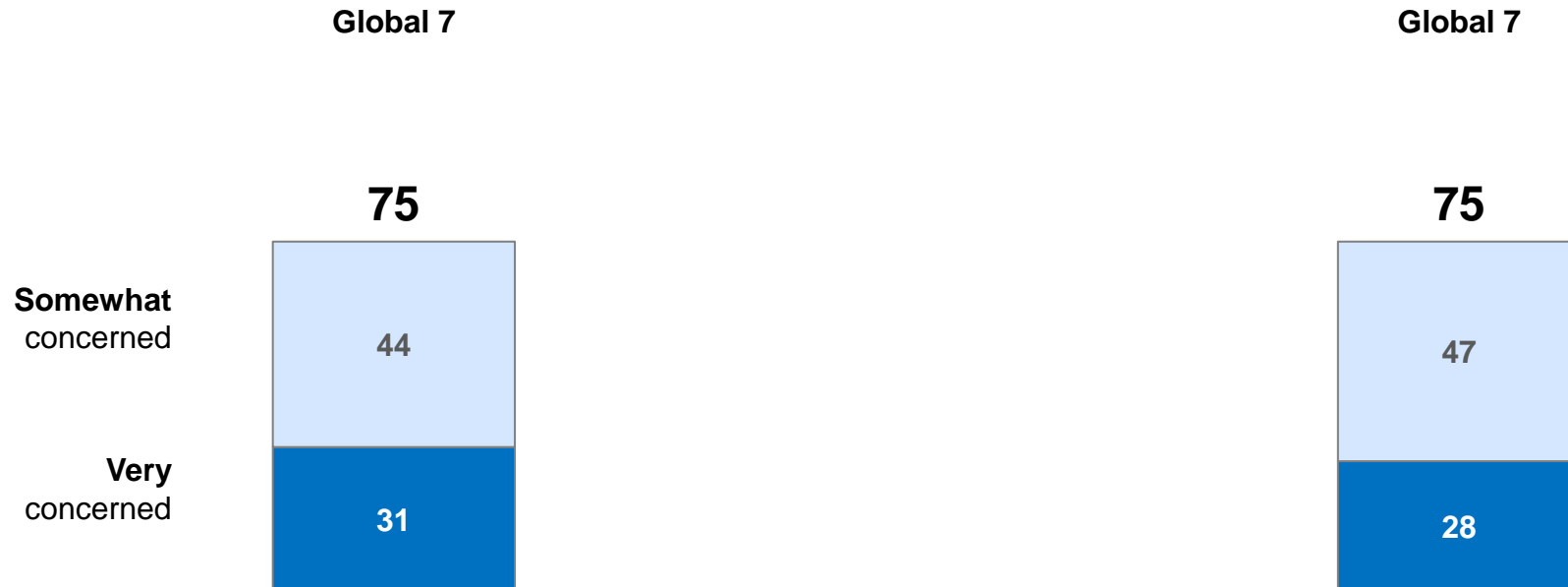
INSTITUTIONAL INVESTORS CONCERNED ABOUT RETAIL INVESTORS AND MEME STOCK ACTIVISTS

Percent of investors who say

I am concerned about...

Recent surges in
retail investment activity

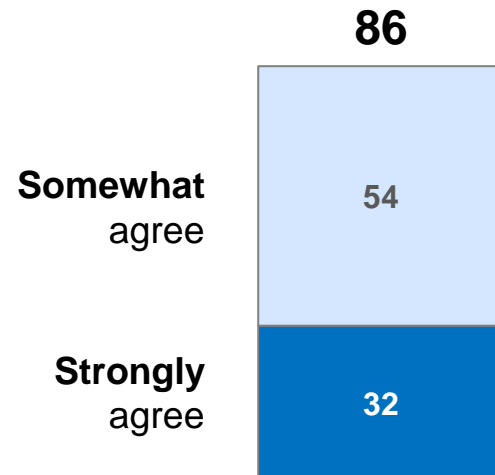
The rising impact of
meme stock activists



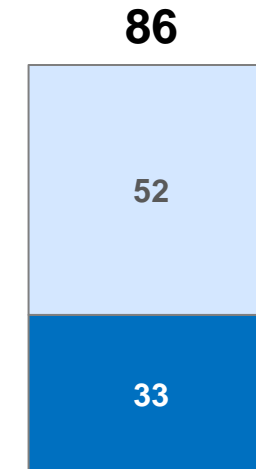
ONLINE COMMUNITIES SUCH AS R/WALLSTREETBETS INFLUENCE INSTITUTIONAL INVESTMENT DECISIONS

Percent who agree, among global investors

WallStreetBets and other online communities **influence my investment decisions**



WallStreetBets and other online communities **can create false markets**



MEME STOCKS SEEN AS A TARGETED ATTACK AGAINST INSTITUTIONAL INVESTORS

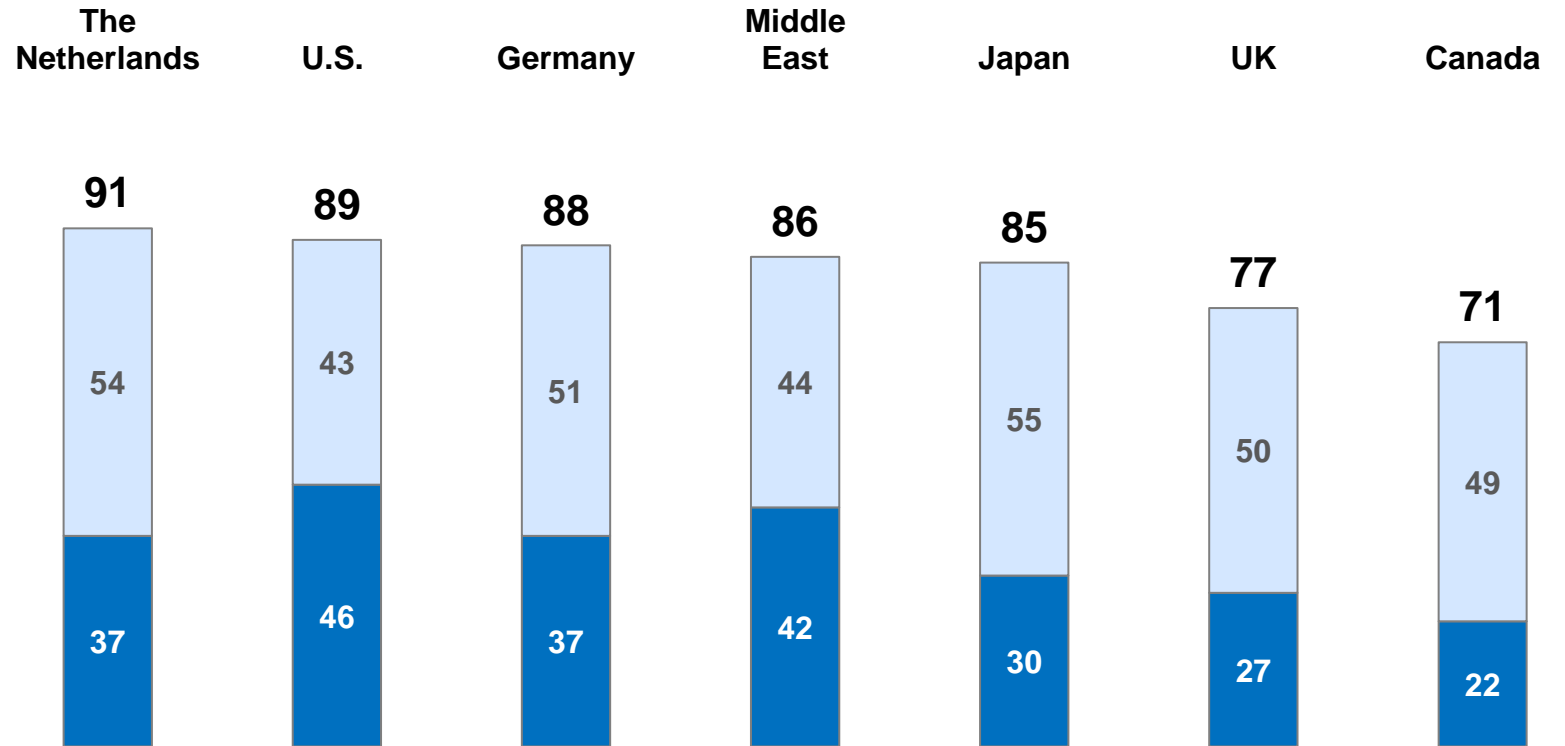
Percent of investors who agree

Meme stocks represent a **targeted attack** against institutional investors like myself or my firm

Global 7

84%

49	Somewhat agree
34	Strongly agree



2021 Edelman Trust Barometer Special Report: Institutional Investors. Q30: Please indicate the extent to which you agree or disagree with the following statements. Showing Agree T2B, Somewhat Agree and Strongly Agree. Base: 7-Market Global Average n=700; United States n=100, Germany n=100, Middle East n=100, Japan n=100, Netherlands n=100, UK n=100, Canada n=100

NAVIGATING THE CHANGE IN INVESTOR PRIORITIES

1

Approach ESG reporting with the same rigor as financial reporting

Integrate ESG planning into operational decisions

2

Develop a credible and evidence-based Net Zero plan

Build an implementation plan with clear board-level accountability

Report on progress, setbacks and changes in the plan

Avoid confusing carbon neutral with net zero

3

Provide opportunities for employees to engage

Survey employee base consistently to better understand what's important to them

Roll out tools to ensure two-way communication with employee base

Update employees regularly on plans and changes in strategy

4

Examine your long-only shareholders for activism track record and tendencies

Engage with governance and PM teams

Develop an ESG-specific activism playbook

Stay on top of shareholder proposal trends

5

Consider the role that retail investors can play in your strategy

Enhance digital channels for Investor Relations

Scenario plan for possible meme-stock status

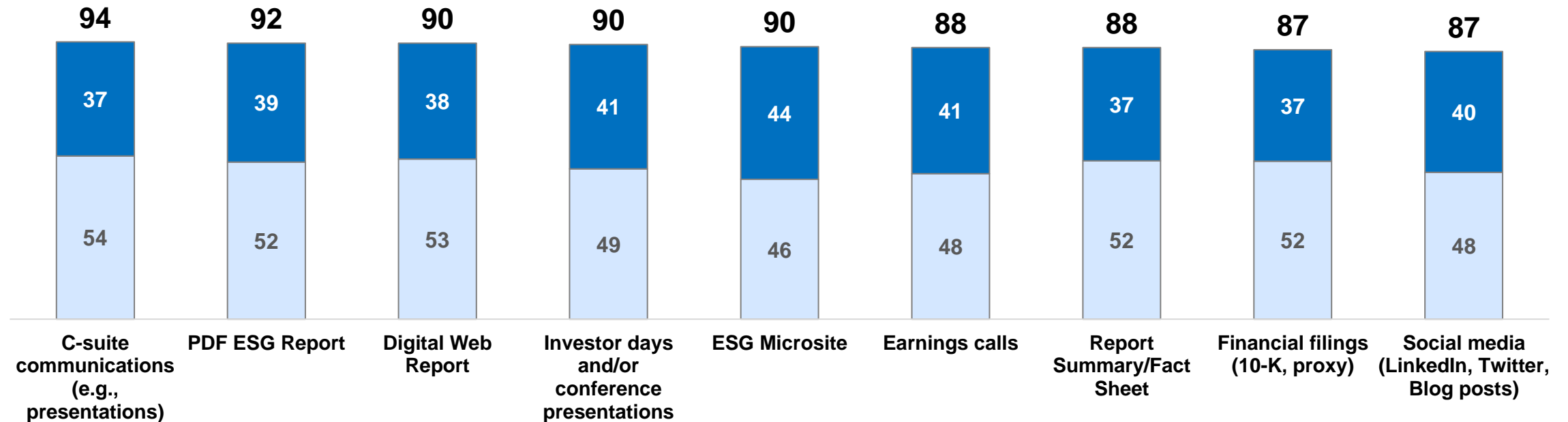
⊥
SUPPLEMENTAL DATA

⊥

INVESTORS USE A RANGE OF SOURCES TO EVALUATE ESG, WITH NO CLEAR GO-TO SOURCE

Percent who say each information source is useful for evaluating ESG performance, among global investors

Very useful
Somewhat useful



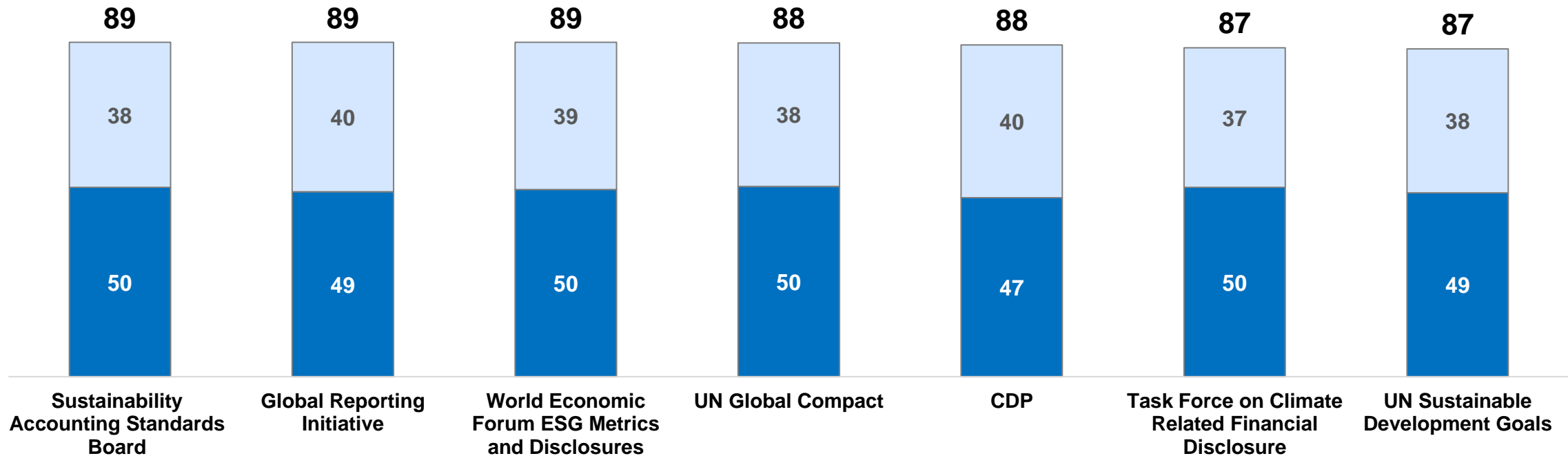
2021 Edelman Trust Barometer Special Report: Institutional Investors. Q22_5: Using the scale below, please rate the utility of each of the following sources of information for evaluating a company's ESG performance. For each one, please indicate how useful each format is using a 4-point scale where 1 means "not at all useful" and 4 means "very useful". Shown T2B Agree. 7-Market Global Average n=700



INVESTORS USE A RANGE OF FRAMEWORKS TO EVALUATE ESG

Percent who say each ESG framework is useful, among global investors

■ Somewhat useful
■ Very useful



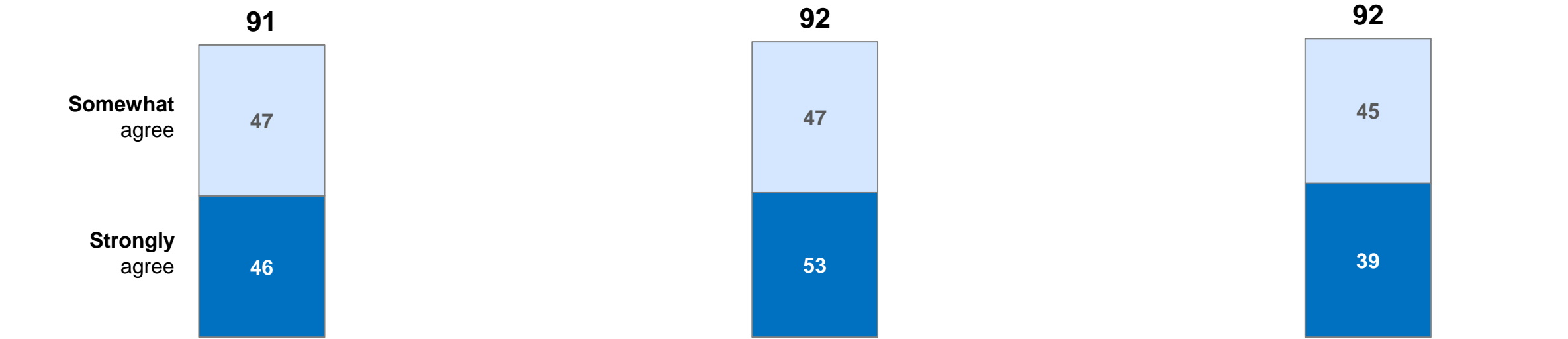
TRUST IN LEADERSHIP, PURPOSE AND MISSION ARE IMPORTANT TO INVESTORS

Percent who agree, among global investors

I must trust a company's **Board of Directors** before making or recommending an investment

I must trust a company's **CEO** before making or recommending an investment

I must have trust in a company's **mission and/or purpose** before making or recommending an investment



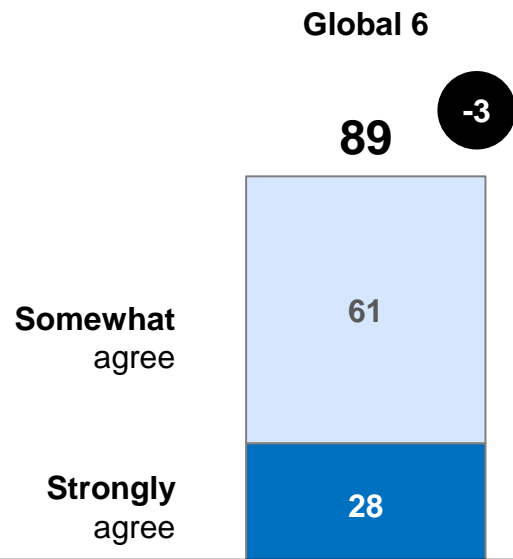
INVESTORS CONSIDER BOTH COMPANY AND EXECUTIVE SOCIAL MEDIA CHANNELS FOR INVESTMENT DECISIONS

Percent of investors who agree

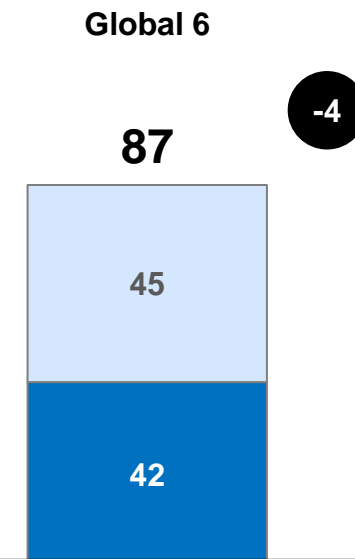
Change, year over year

When evaluating a current or prospective investment...

I consult the **company's** social media channels



I consult the **executive's** social media channels

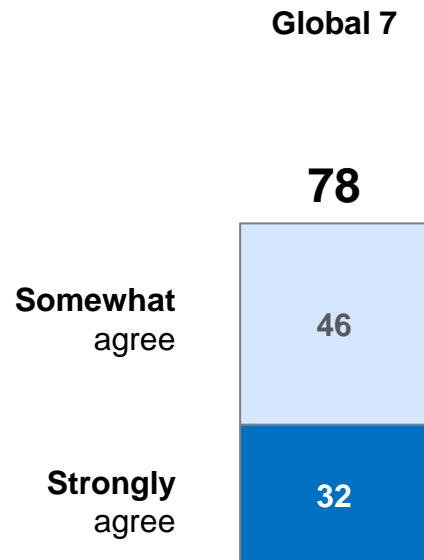


INVESTORS EXPECT COMPANIES TO TAKE A STAND

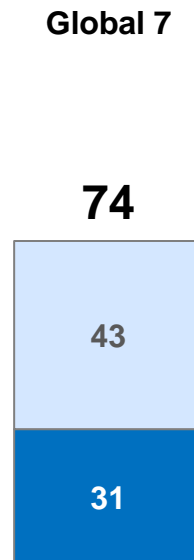
Percent of investors who agree

Percent of employees who agree

Companies have a **duty to take a public stand** on social issues



Companies have a **duty to speak out** on social issues, even if they do not directly impact their business



I have left my job at an organization solely because it remained silent on a societal or political issue that I believed it had an obligation to publicly address

Global 7

34%

Source: 2021 Edelman Trust Barometer Special Report: The Belief-Driven Employee

2021 Edelman Trust Barometer Special Report: Institutional Investors. Q22.2: Now thinking specifically about social issues, to what extent do you agree or disagree with the following statement? Showing Agree T2B. 7-Market Global Average n=700;

2021 Edelman Trust Barometer Special Report: The Belief-Driven Employee. BEL_DRV_EMP. Please indicate how much you agree or disagree with the following statements. 9-point scale; top 4 box, agree. 7-mkt avg., and by demographics. n=7000 in Brazil, China, Germany, India, Japan, UK and U.S. All data is filtered to be among employees who work for an organization or corporation (Q43/1).



WORKPLACE ACTIVISM BECOMES THE NORM

Percent of employees who will take action

I will take action

to produce or motivate
urgently necessary
changes within my
organization

Work within the system

Petition senior management to make changes
Suggest changes to direct manager or HR
Send internal comms to senior management

58

Take it public

Whistleblowing
Go on strike or work slow-down
Leak internal documents or emails
Social media campaign
Protest outside our offices or factories

40

76%

Source: 2021 Edelman Trust Barometer Special Report:
The Belief-Driven Employee



2021 Edelman Trust Barometer Special Report: The Belief-Driven Employee. POW_HOW. What would you personally be willing to do in order to produce or motivate what you consider to be urgently necessary changes within the organization you work for? Pick all that apply. Question asked of those who are an employee (Q43/1). 7-mkt avg. "Will take some action" is a net of attributes 1-10; "Work within the system" is a net of attributes 1-3; "Take it public" is a net of attributes 4, 5, 7, 8, 9. All data is filtered to be among employees who work for an organization or corporation (Q43/1).

REWARD OUTWEIGHS RISK FOR COMPANIES THAT ARE PREPARED TO TAKE A MEANINGFUL STAND

Percent of global investors who would be **more or less likely to invest** in an organization that publicly supports and demonstrates a commitment to each issue

