

# Edelman Trust Barometer 2021

Special Report:  
Institutional  
Investors

U.K 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 11<sup>th</sup> to  
September 3<sup>rd</sup>, 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

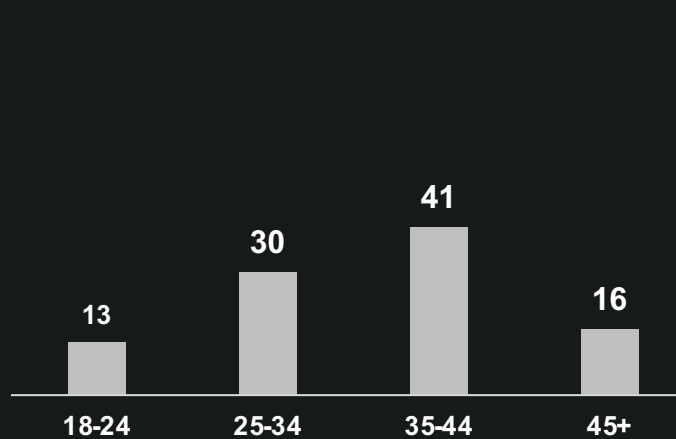
<b>Why is ESG Trust so Low?</b>	<b>05.</b>
<b>A Push for Climate Action</b>	<b>14.</b>
<b>Employee Activism: From Risk to Asset</b>	<b>17.</b>
<b>Nearly All Investors Prone to Activism</b>	<b>22.</b>
<b>Retail Investors are Driving Markets</b>	<b>29.</b>
<b>Appendix</b>	<b>34.</b>

# UK INVESTOR PROFILE

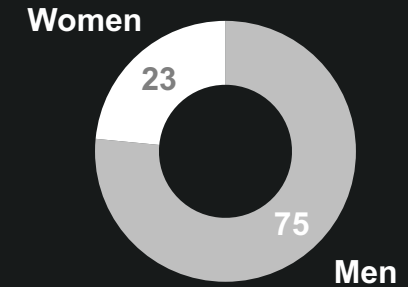
## Primary investment style (%)

Growth	30
Value	25
Industry-specific	12
Hedge	12
Quantitative/Index	8
GARP	8
Activist	5

## Age (%)



## Gender (%)

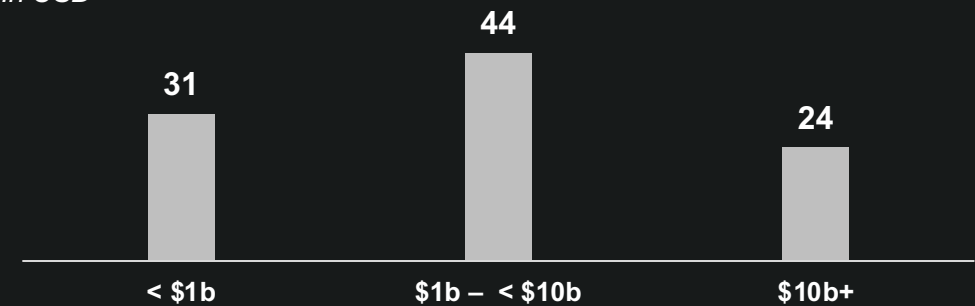


## Job titles (%)



## 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: United Kingdom n=100

# 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.*

⊥

**WHY IS ESG TRUST SO LOW?**

⊥

# INVESTORS SCRUTINIZE ESG AS MUCH AS OPERATIONAL AND FINANCIAL FACTORS

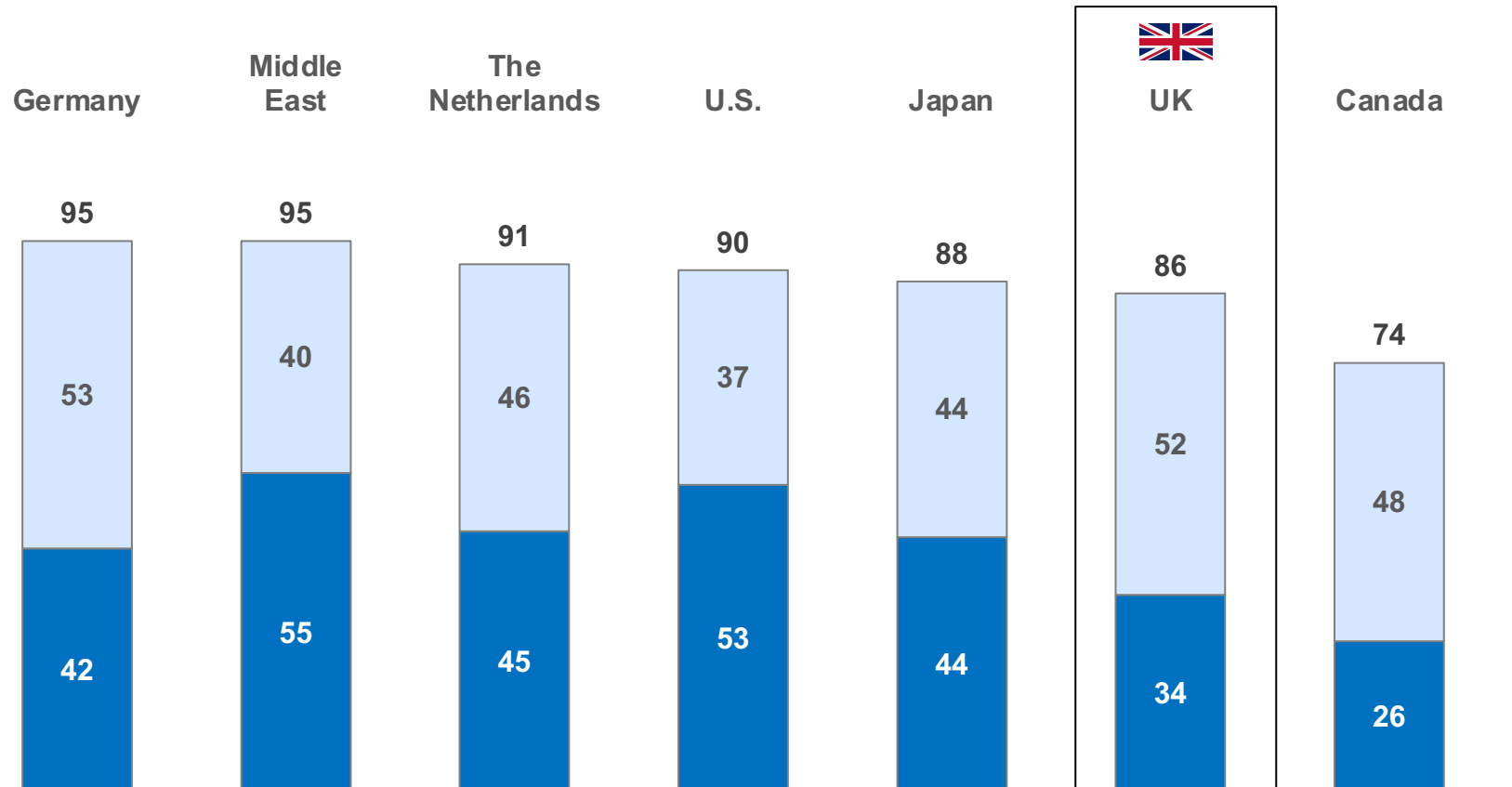
Percent of investors who agree

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

Global 7

**88%**

46	Somewhat agree
43	Strongly agree

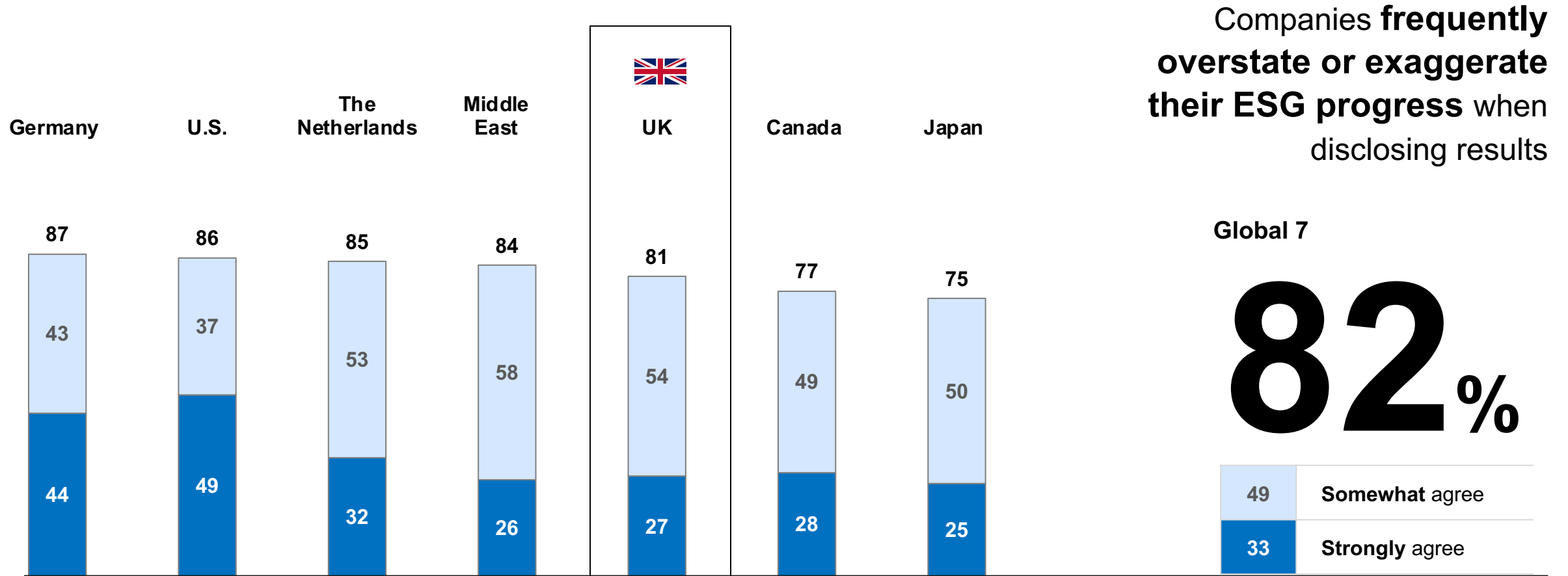


2021 Edelman Trust Barometer Special Report: Institutional Investors. Q7. Please indicate the extent to which you agree or disagree with the following statements regarding shareholder activism? Showing T2B Agree and T1B Strongly Agree.

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

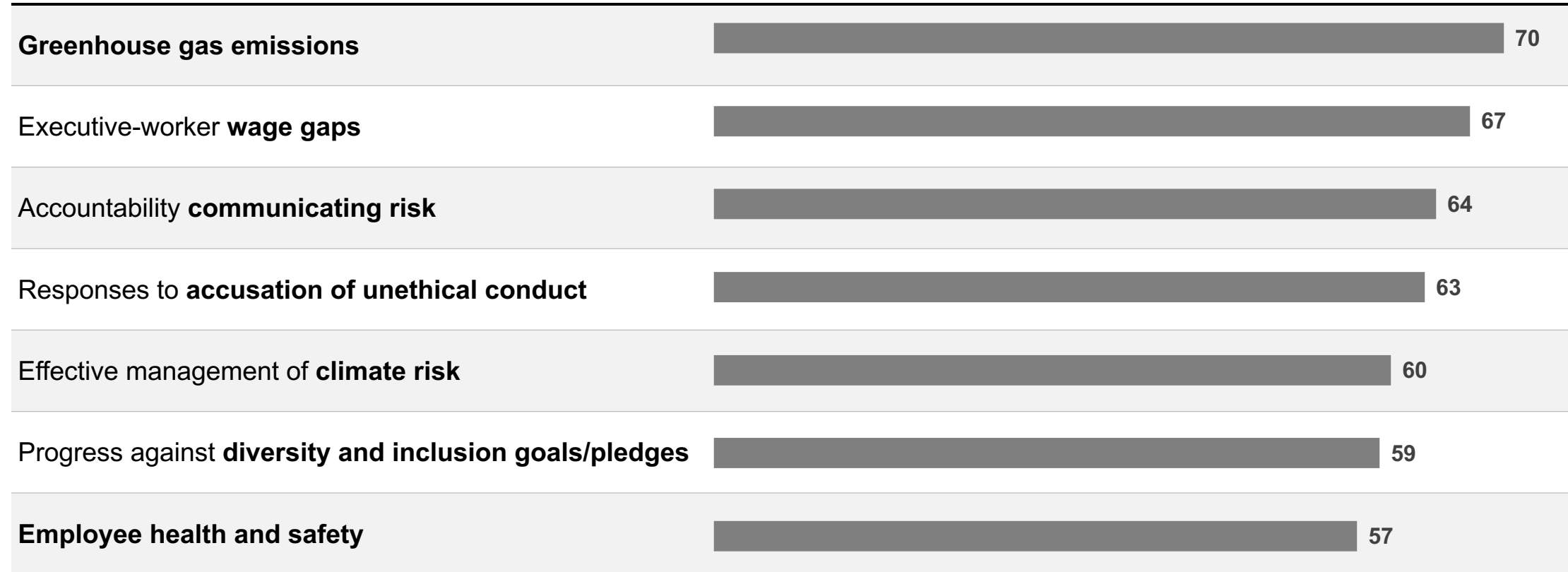
Percent of investors who agree



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 ENVIRONMENTAL AND GOVERNANCE DISCLOSURES

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

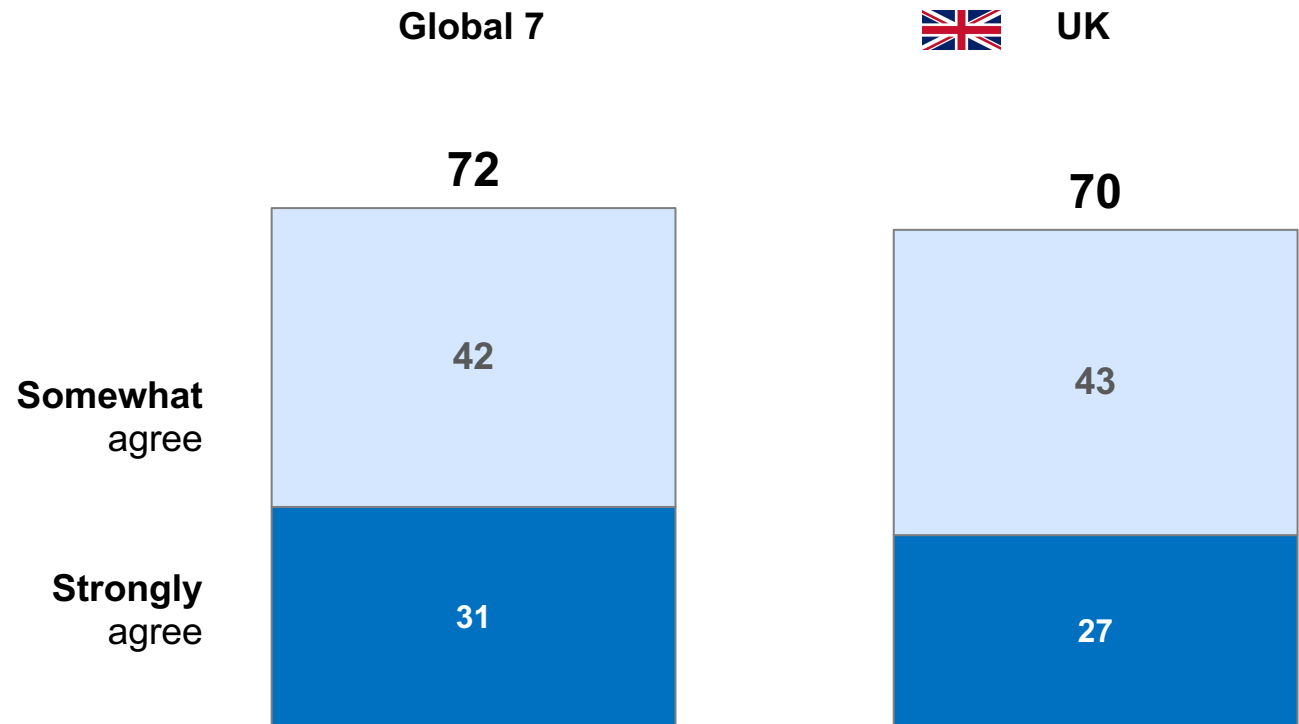




# MOST INVESTORS DON'T BELIEVE COMPANIES WILL ACHIEVE THEIR ESG COMMITMENTS

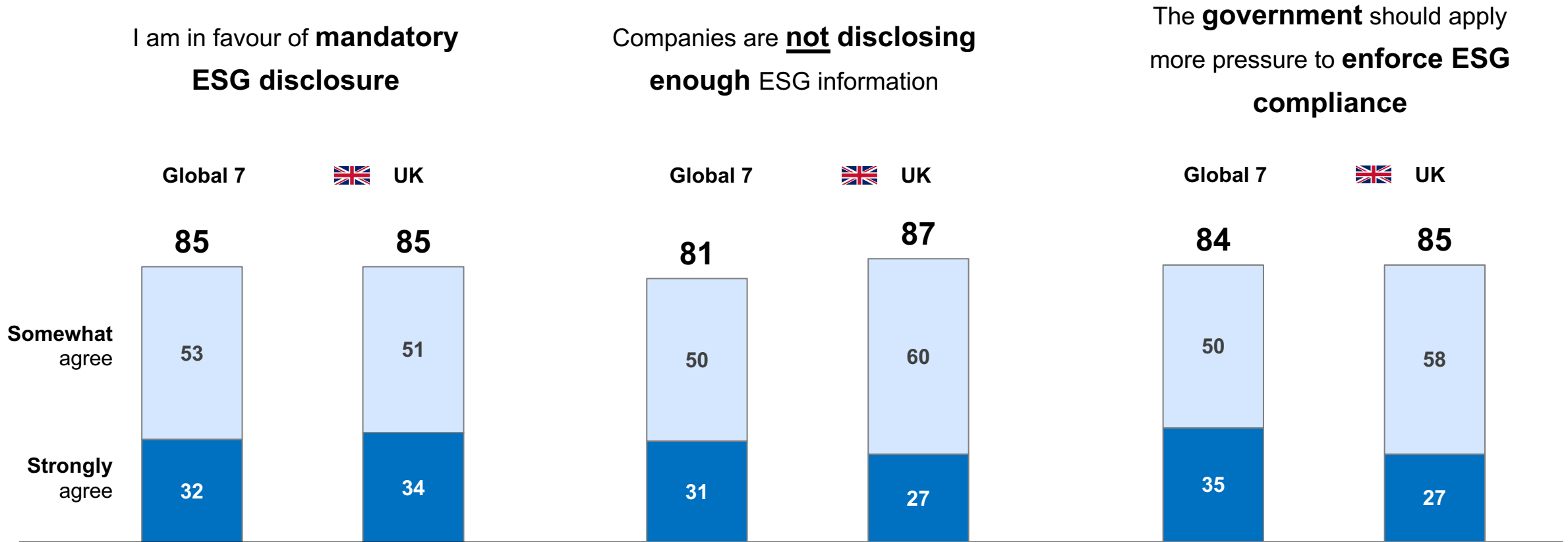
Percent of investors who agree

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



# MOST INVESTORS IN FAVOUR OF MANDATORY ESG DISCLOSURES AND DESIRE MORE INFORMATION

Percent of investors who agree



# INVESTORS ON THE LOOKOUT FOR ESG UNDERPERFORMANCE AND GREENWASHING

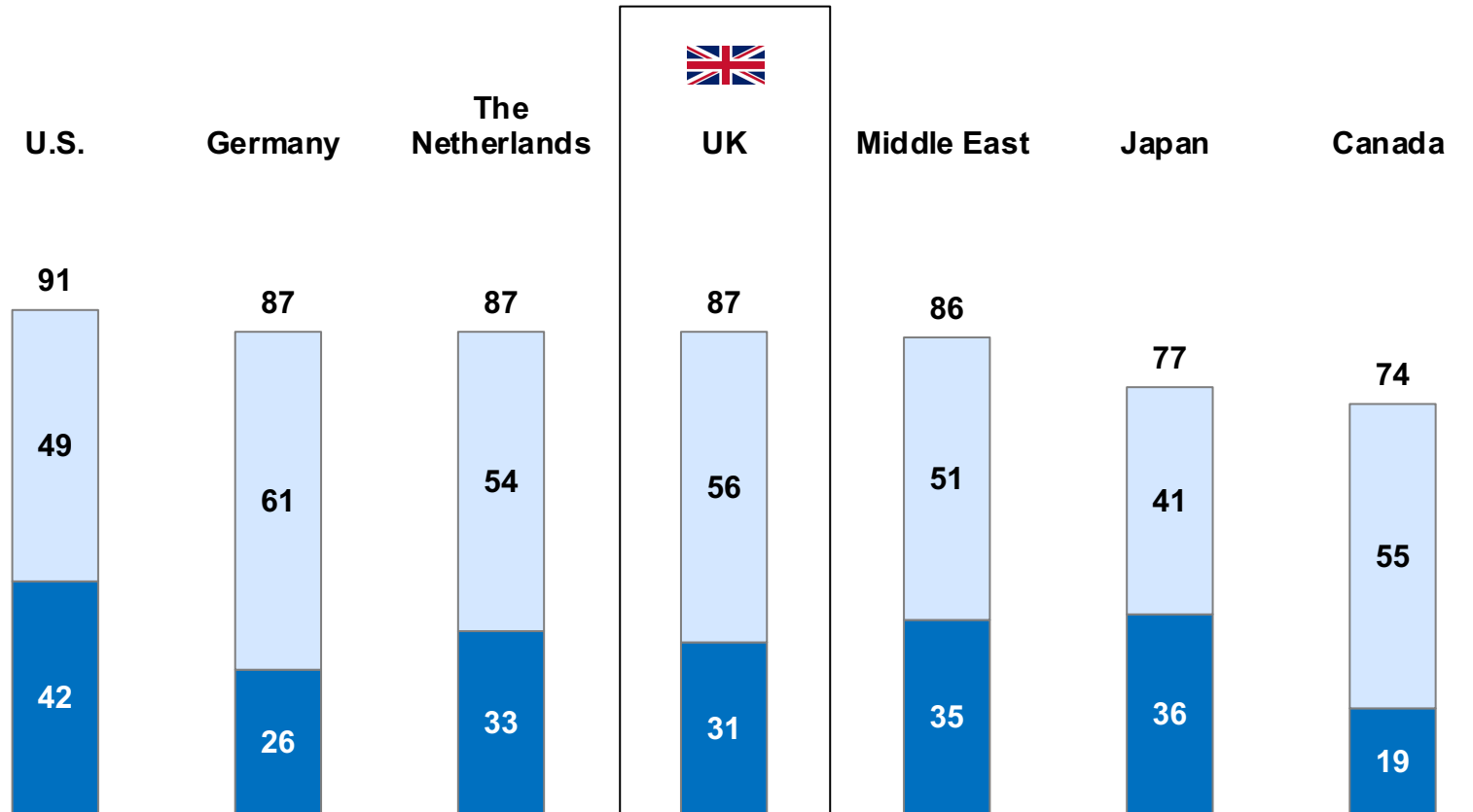
Percent of investors who agree

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

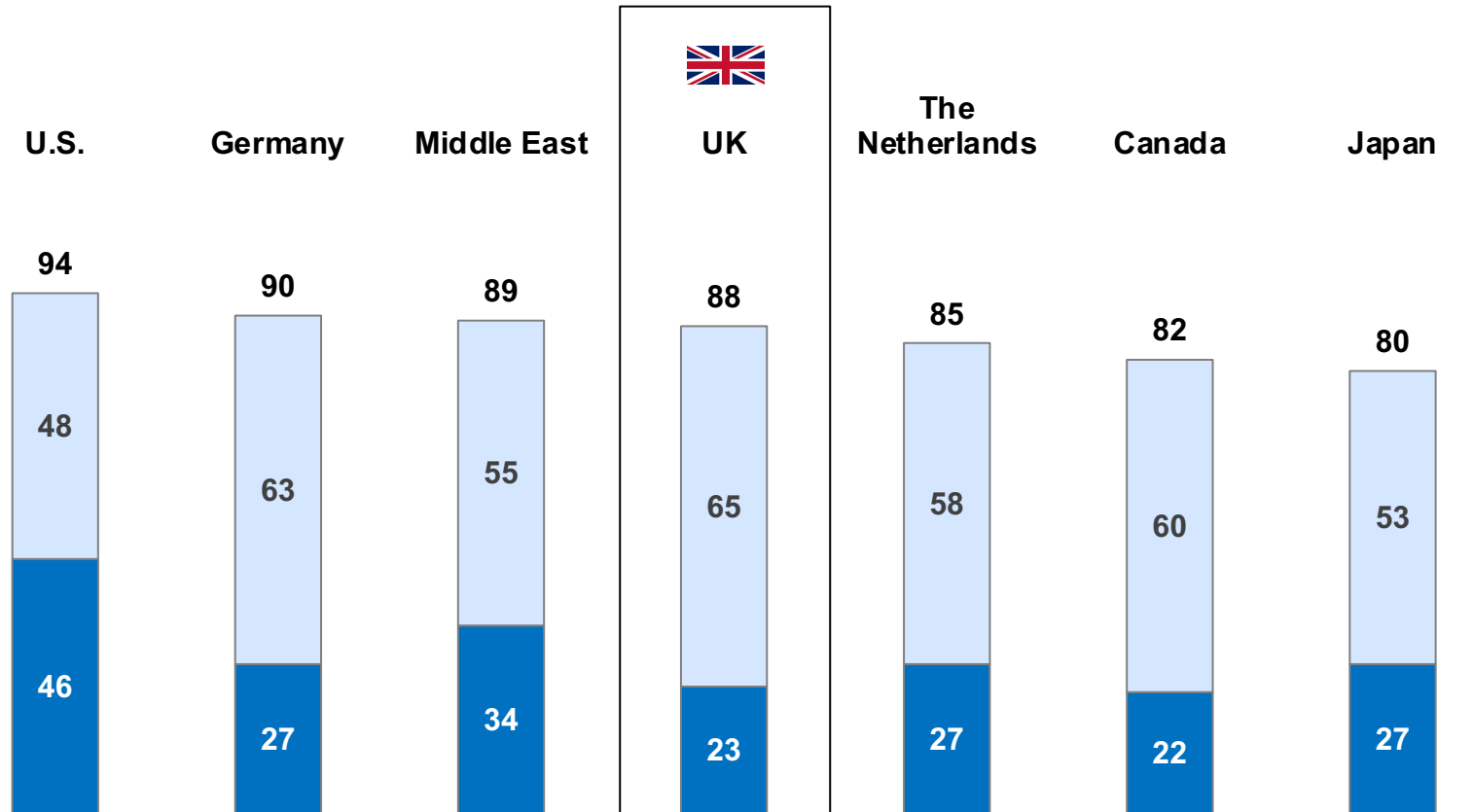
Percent of investors who agree

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

Global 7

**87%**

57	Somewhat agree
29	Strongly agree



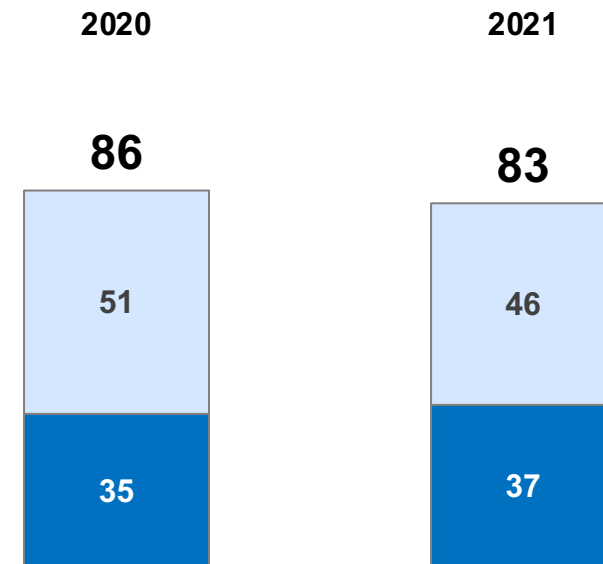
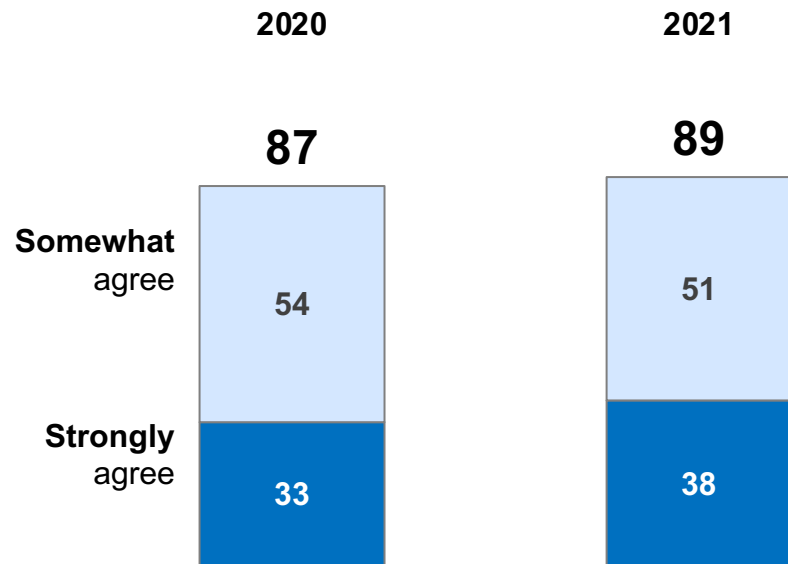
2021 Edelman Trust Barometer Special Report: Institutional Investors. Q23\_1: Now please think about the adequacy and accountability of ESG corporate disclosures made by companies. To what extent do you agree or disagree with the following statements? Showing Somewhat Agree, Agree T2B and Strongly Agree 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, among UK investors

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



⊥

# A PUSH FOR CLIMATE ACTION

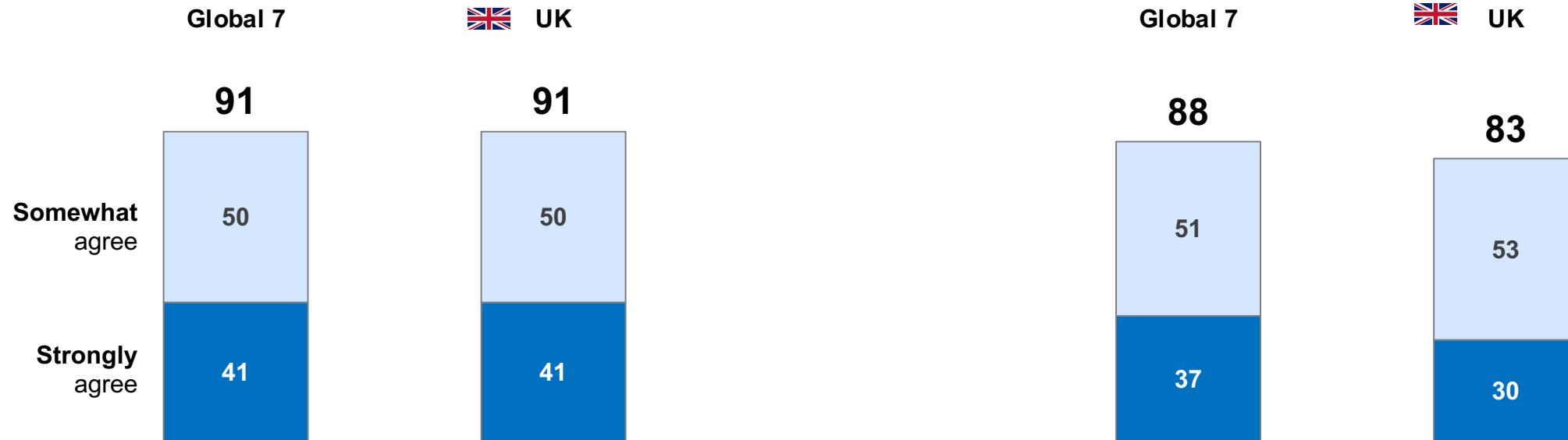
⊥

# 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**



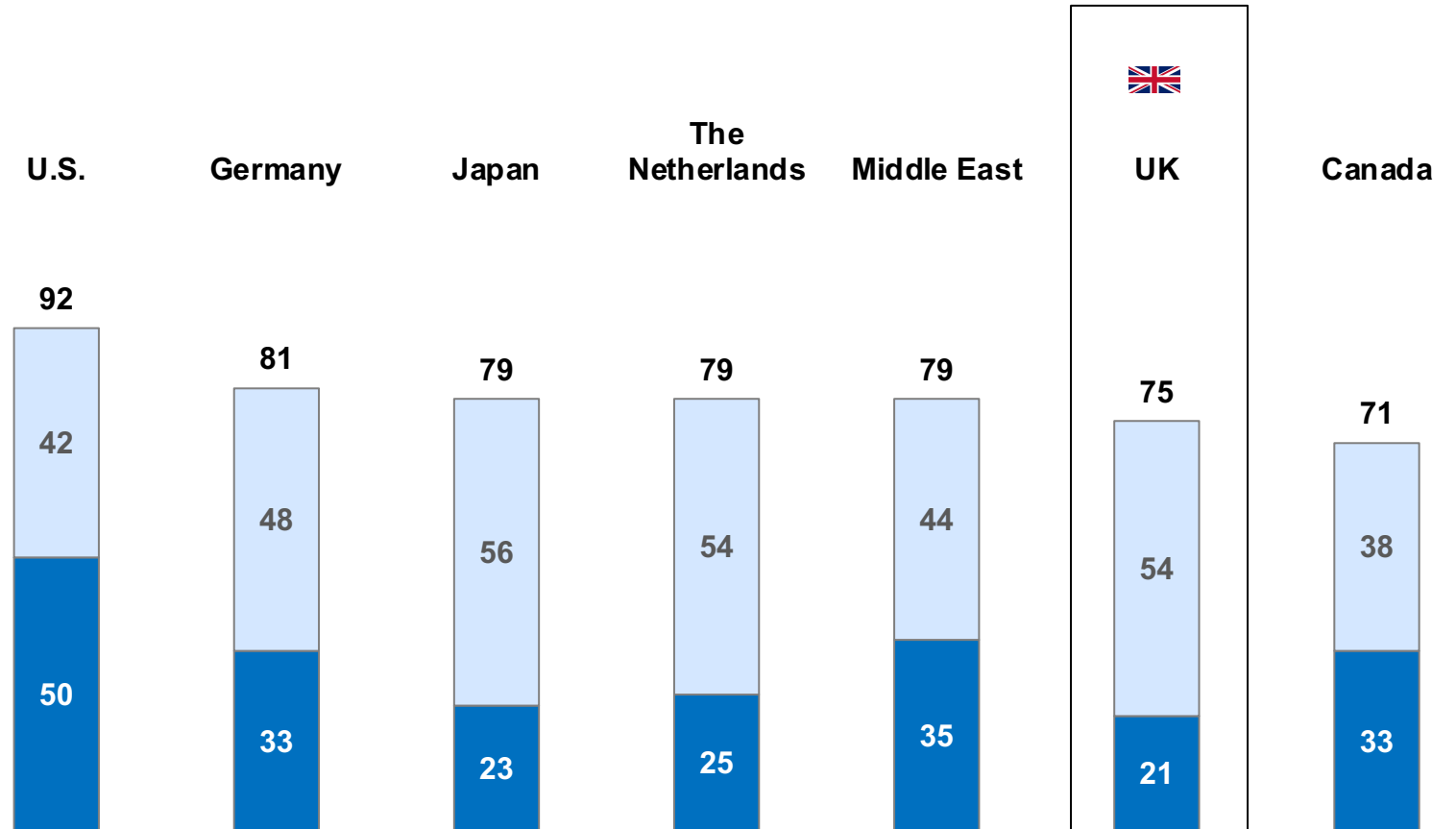
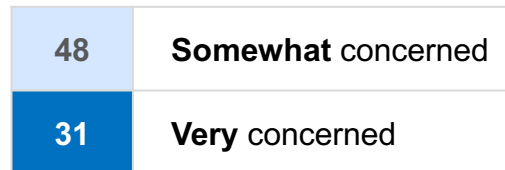
# MAJORITY CONCERNED COMPANIES WILL NOT BE ABLE TO MEET NET ZERO COMMITMENTS

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



┆

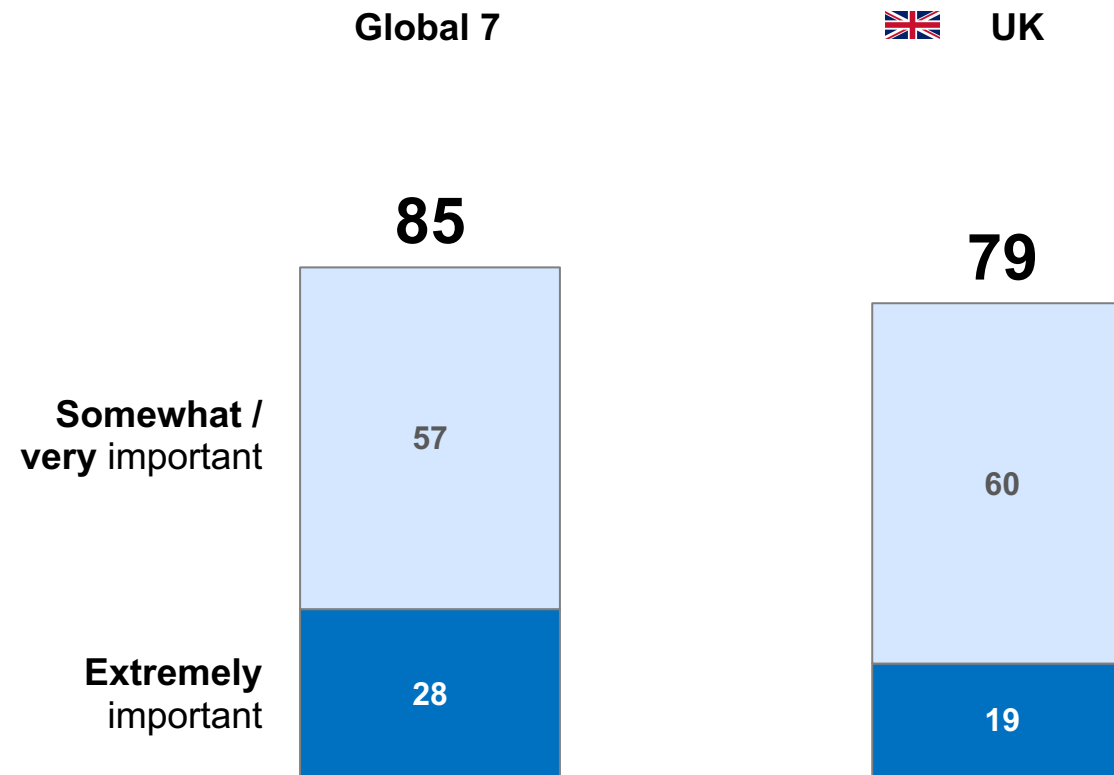
# EMPLOYEE ACTIVISM: FROM RISK TO ASSET

┆

# 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



# EMPLOYEE ACTIVISM SIGNALS A HEALTHY WORKPLACE CULTURE

Global 7

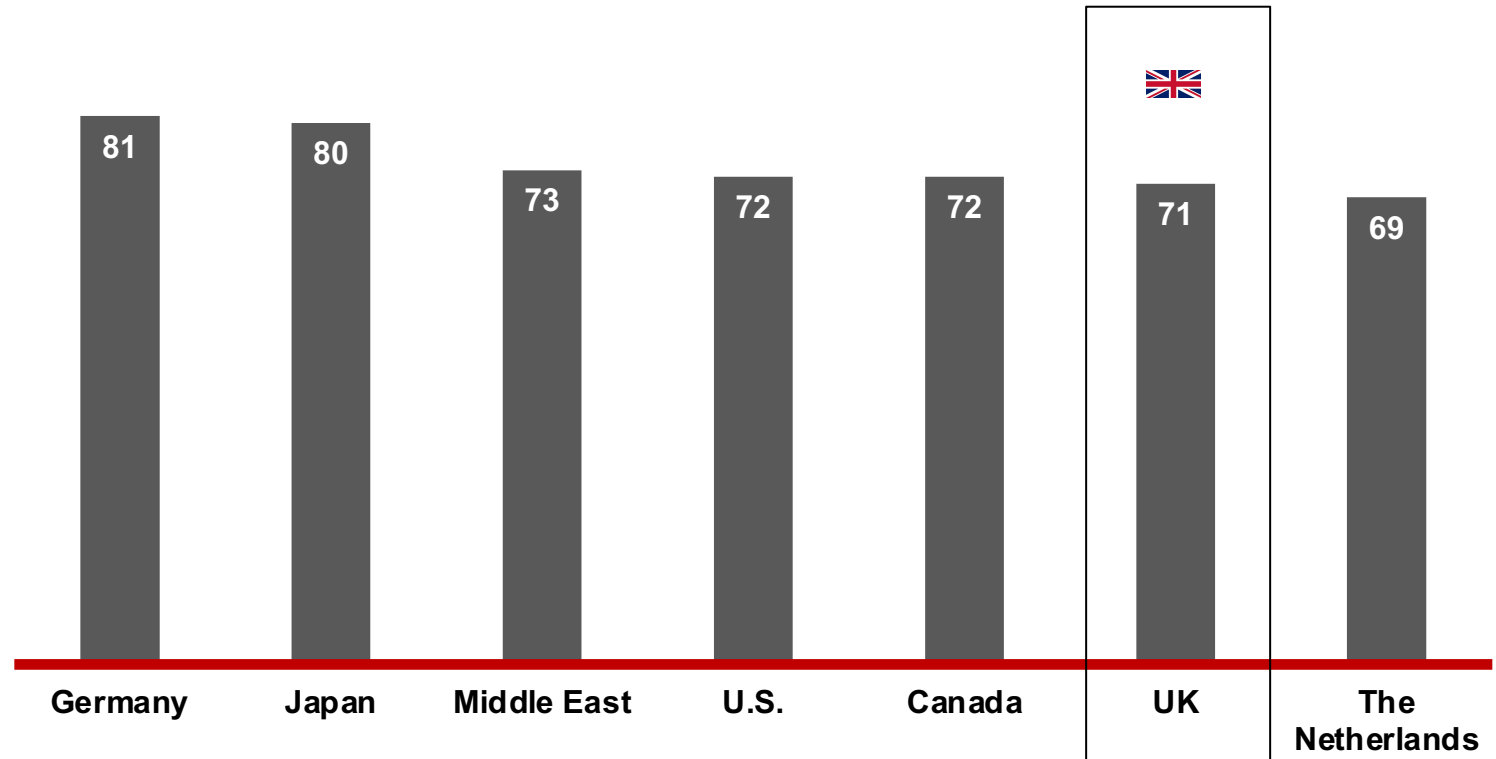
74%

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

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

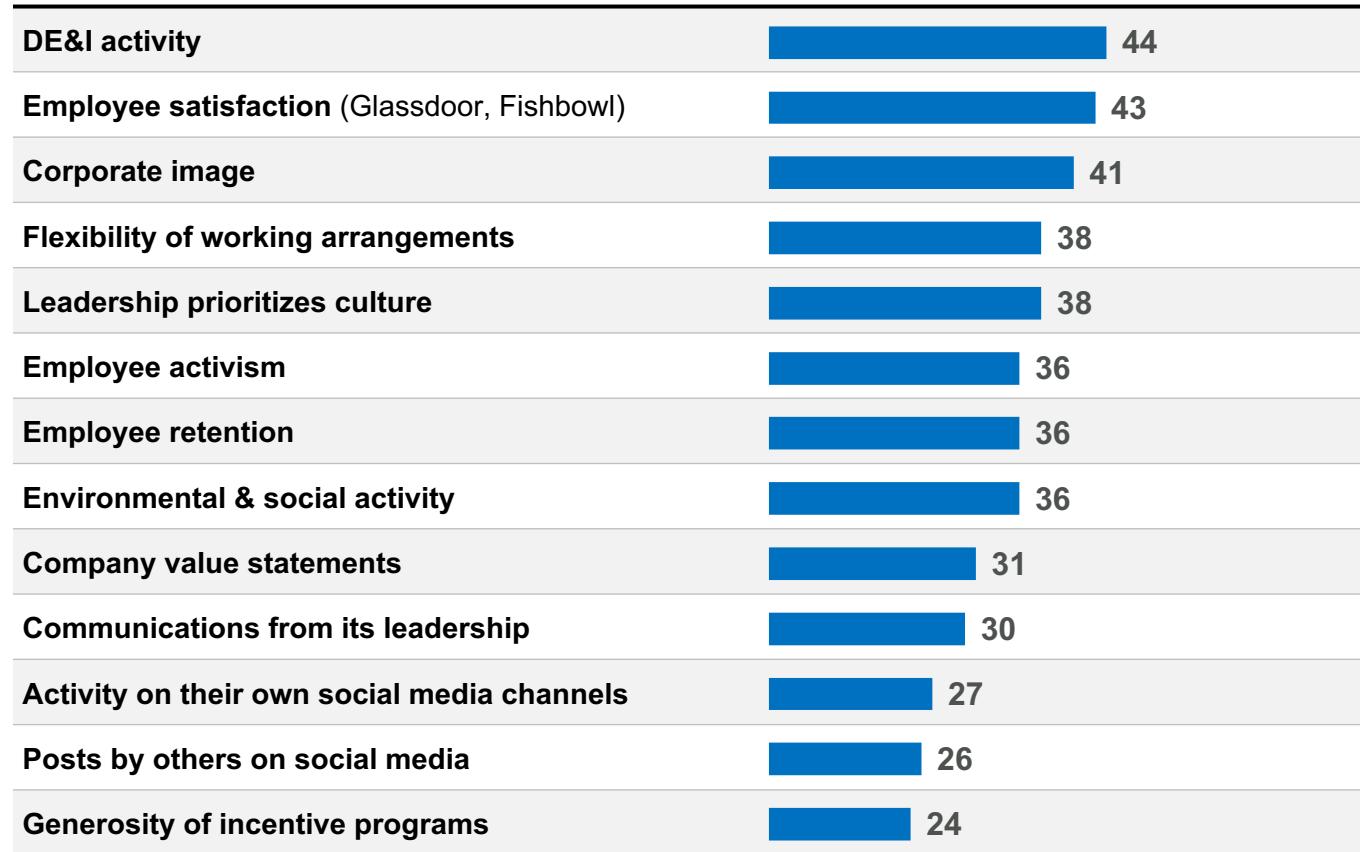
or -----

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



# INVESTORS CONDUCTING BROAD ANALYSIS OF COMPANY CULTURE

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

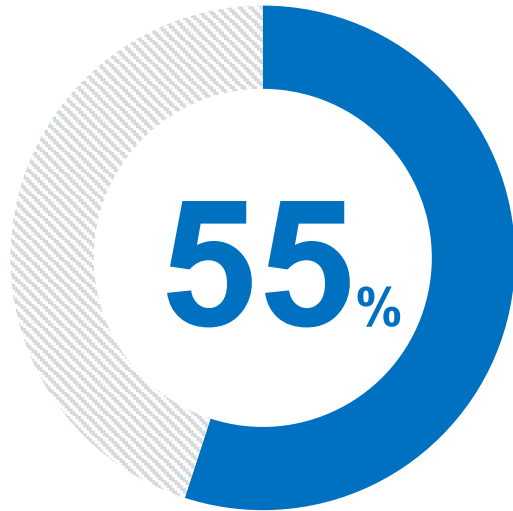


# 78%

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 <b>diversity</b> across demographics, skillset, perspectives	41
Be proactive in <b>removing CEOs when performance is lagging</b>	38
Engage with <b>investors directly</b>	31
<b>Be held accountable for maintaining positive company culture</b>	<b>30</b>
Establish a <b>dedicated ESG committee</b>	26
Be <b>visible</b> during major announcements and executive transitions	24
Ensure there is a <b>favourable 'say on pay' vote</b>	23
Ensure <b>CEO compensation</b> is linked to company performance	22



2021 Edelman Trust Barometer Special Report: Institutional Investors. Q6.1A Now thinking specifically about the board of directors within a company of interest, how important, if at all, is it for them to do each of the following? 'Be held accountable for company culture', T2B Important // Q6.1B Of the items you consider important, which 3 are most important when thinking about the board of directors within a company of interest? Ranked in top 3. Base: United Kingdom n=100

⌊

**NEARLY ALL INVESTORS  
PRONE TO ACTIVISM**

⌋

# OVER 3 IN 5 INVESTORS WOULD USE AGGRESSIVE ACTIVIST MEASURES

Percent who agree, among UK investors

**88%** + 6 pt increase since 2020

We are more interested in taking an activist approach to investing

Specific ways their firm is trying to be more activist

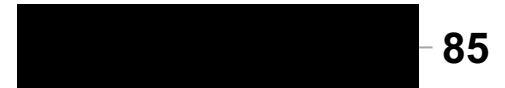
## Collaborative approach

*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

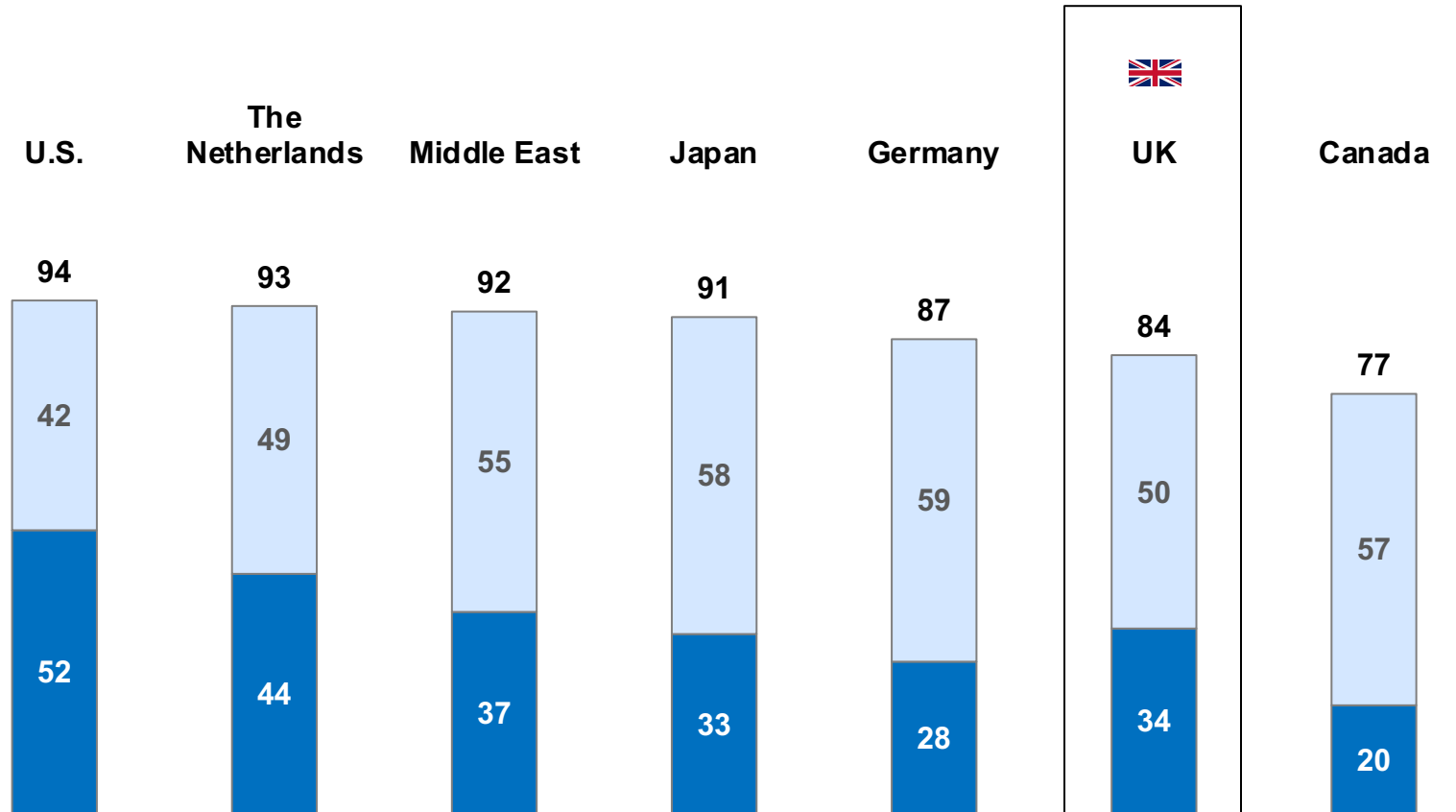
Percent of investors who agree

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



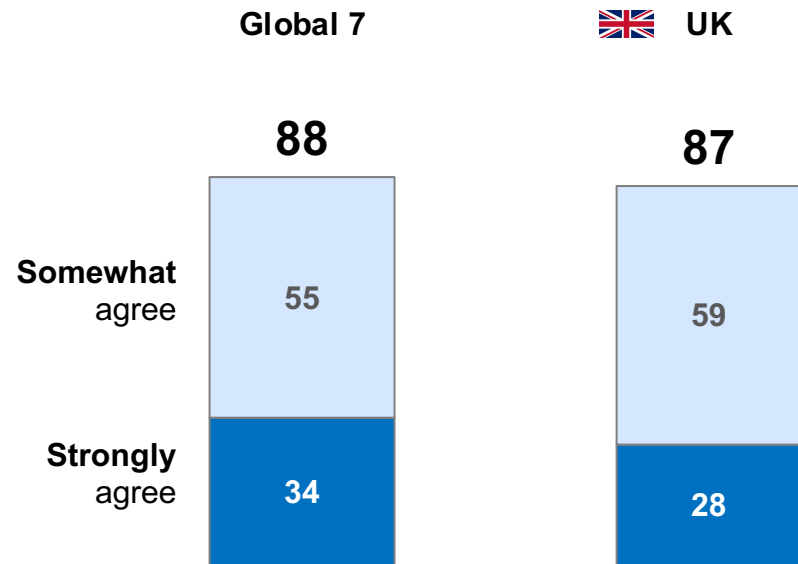
2021 Edelman Trust Barometer Special Report: Institutional Investors. Q7. Please indicate the extent to which you agree or disagree with the following statements regarding shareholder activism. "I proactively approach reputable activists with ideas for effecting change in companies I am (or am thinking 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



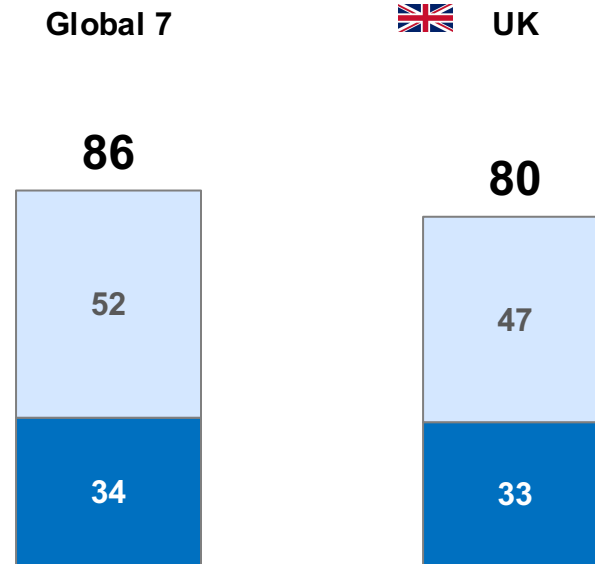
# ESG ACTIVISM TAKING CENTRE STAGE

Percent of investors who agree

I am increasingly focused on ESG metrics as a basis for activist engagement












I am more likely to support an activist campaign based on an ESG issue compared to 12 months ago



# SHAREHOLDER ACTIVISM MOST LIKELY AROUND EXECUTIVE COMPENSATION AND BOARD STRUCTURE

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

		% investors who are already engaged
<b>Executive compensation</b>	 81	11
<b>Board structure</b>	 76	17
<b>Climate risk</b>	 74	21
<b>Employee welfare</b>	 74	16
<b>Eco efficiency</b> of company's operations	 72	18
<b>Company culture</b>	 70	19
<b>Environmental/social impact</b> of supply chain	 68	19
<b>Greenhouse gas emissions</b>	 68	17
<b>Diversity and inclusion</b>	 62	22



2021 Edelman Trust Barometer Special Report: Institutional Investors Q8\_1. How likely, if at all, are you to engage in shareholder activism with regards to the following issues? Showing 'I have already engaged in activism around this issue' and Likely to engage; Somewhat/Very likely to engage. Base: United Kingdom n=100

# FUNDAMENTAL METRICS REMAIN A PRIORITY

Percent of UK 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



┆

# RETAIL INVESTORS ARE DISRUPTING MARKETS

┆

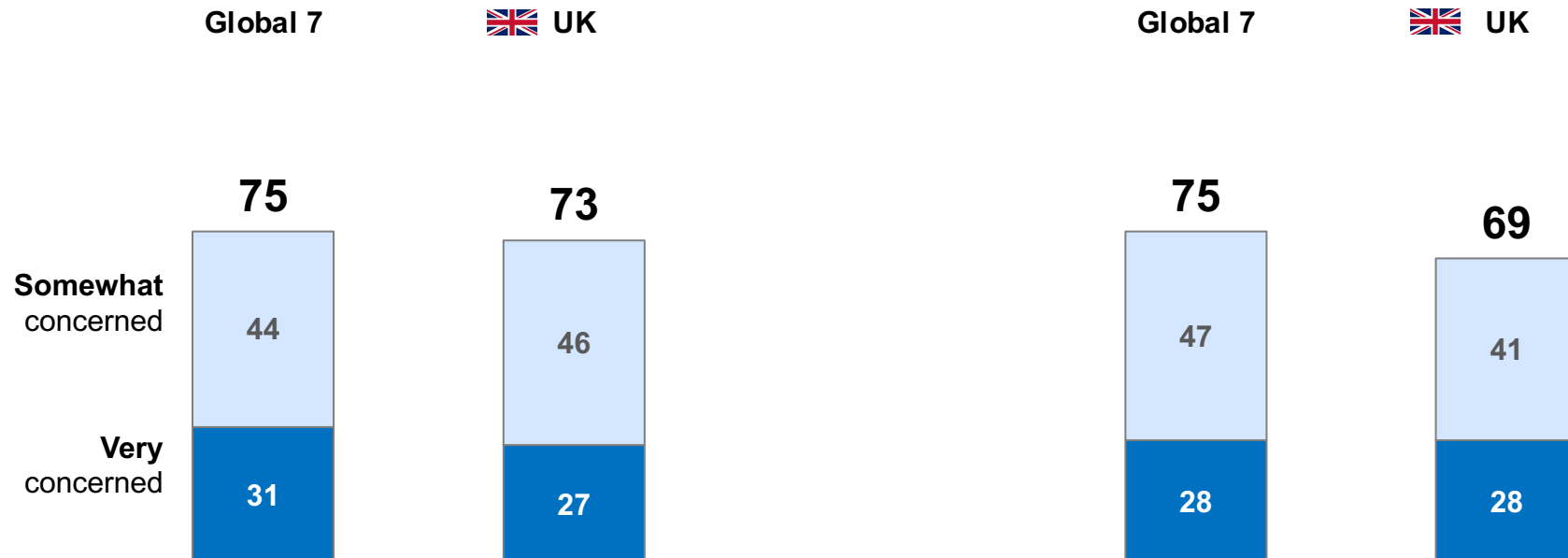
# INSTITUTIONAL INVESTORS CONCERNED ABOUT RETAIL INVESTORS AND MEME STOCK ACTIVISTS

Percent of investors who say

*I am concerned about...*

## Recent surges in retail investment activity

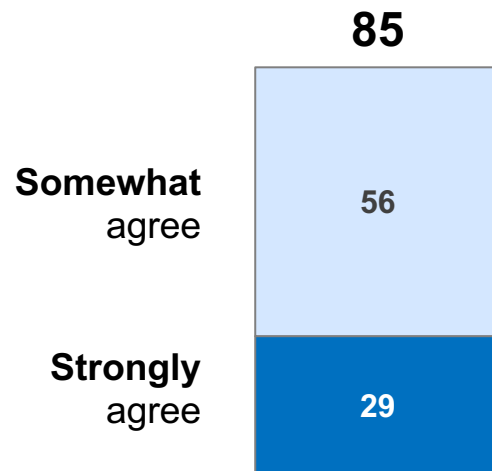
## The rising impact of meme stock activists



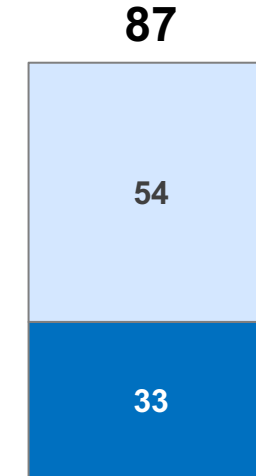
# ONLINE COMMUNITIES SUCH AS R/WALLSTREETBETS INFLUENCE INSTITUTIONAL INVESTMENT DECISIONS

Percent who agree, among UK 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

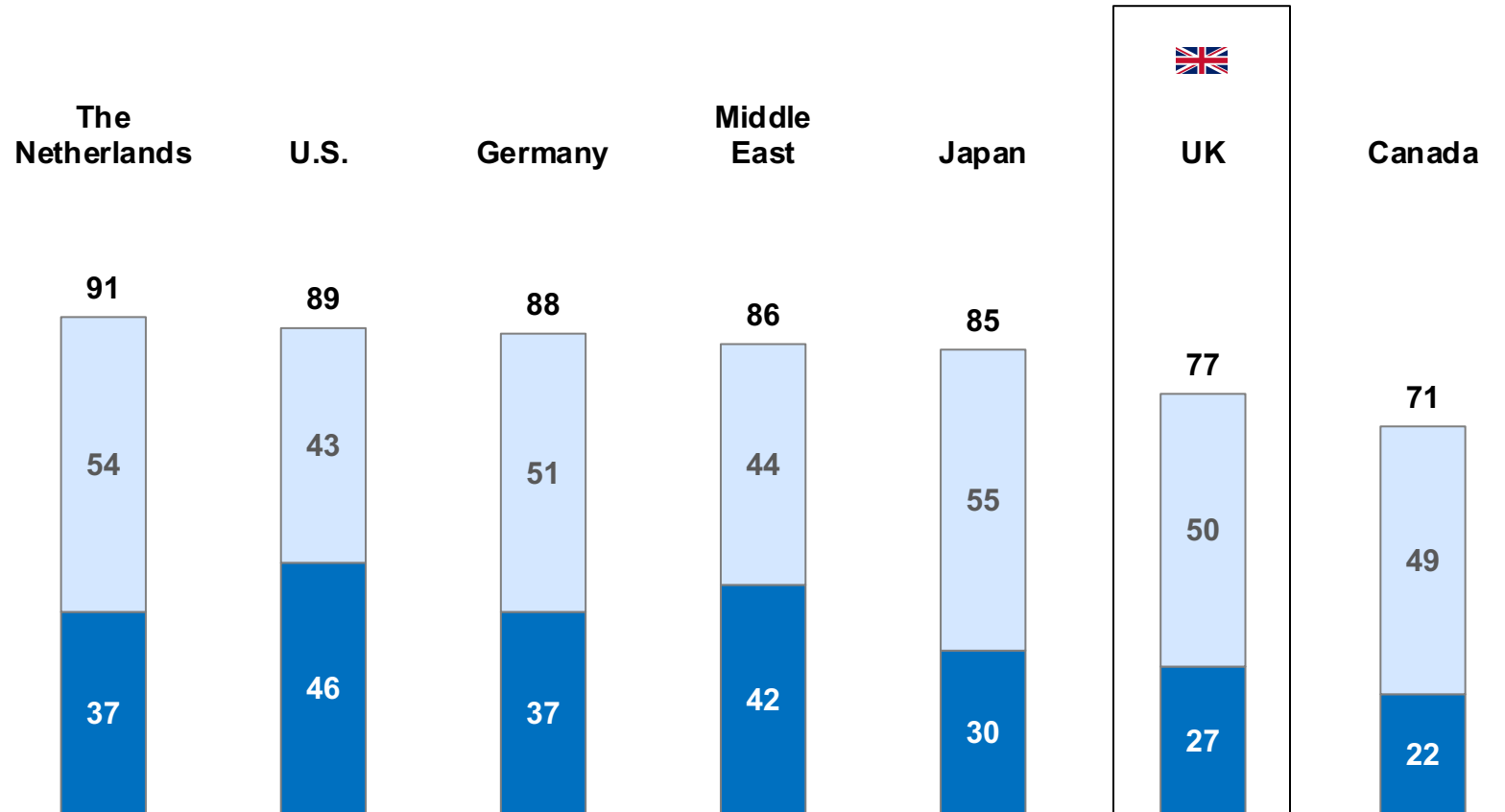
Percent of investors who agree

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*

*Involve Treasury functions for ESG reporting data gathering*

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*



⊥

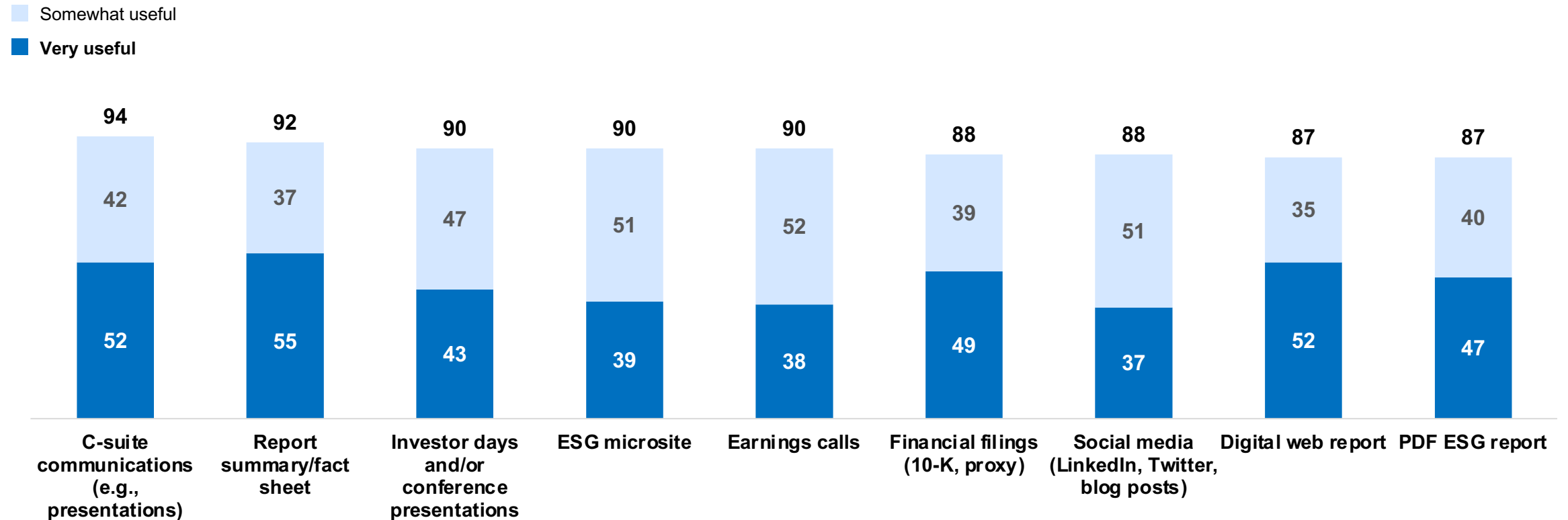
# APPENDIX

T

# 21

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

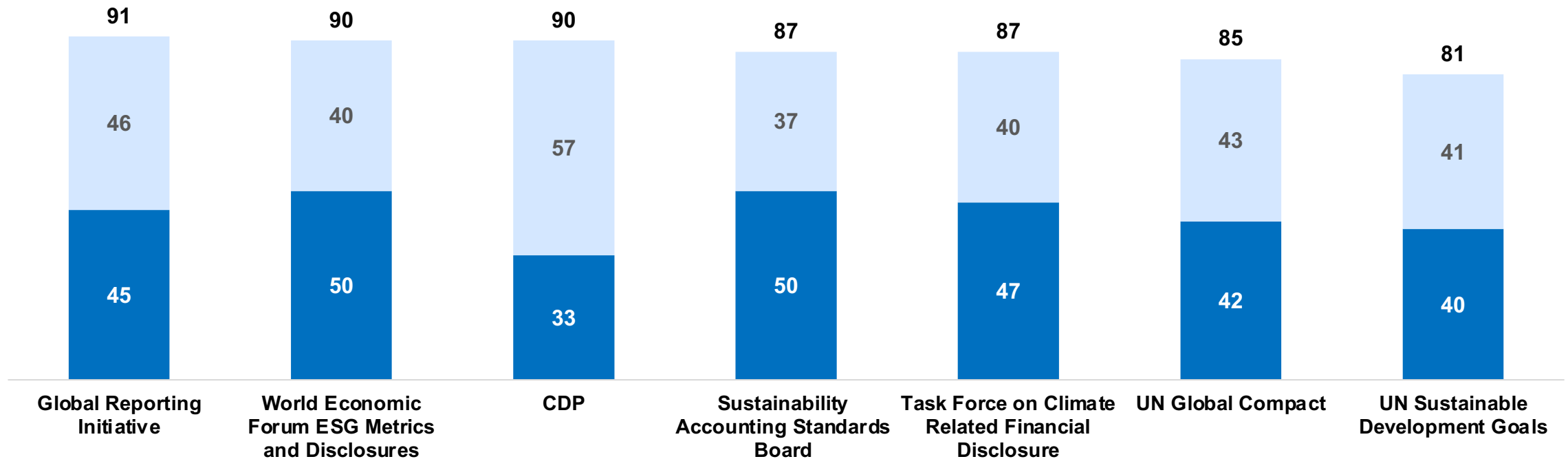
Percent who say each information source is useful for evaluating ESG performance, among UK investors



# INVESTORS USE A RANGE OF FRAMEWORKS TO EVALUATE ESG

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

■ Somewhat useful  
■ Very useful



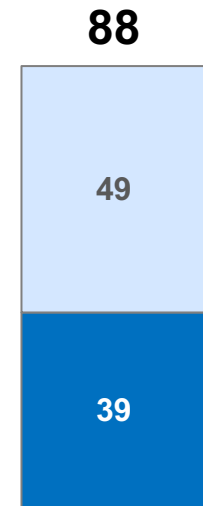
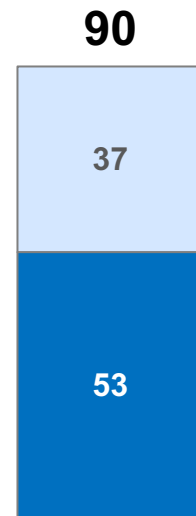
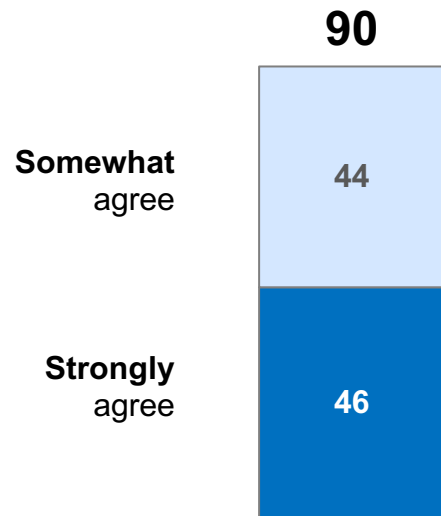
# TRUST IN LEADERSHIP, PURPOSE AND MISSION ARE IMPORTANT TO INVESTORS

Percent who agree, among UK 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

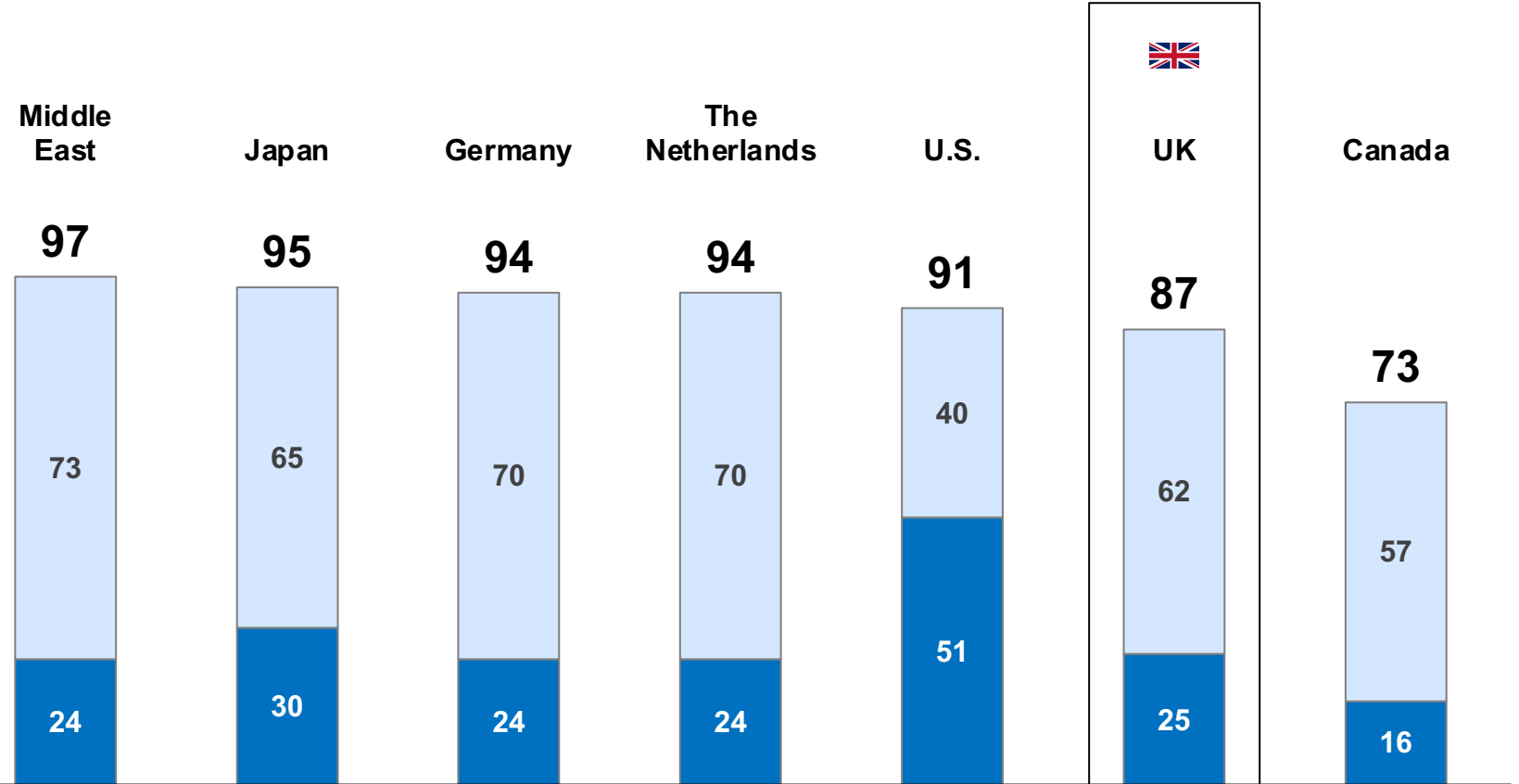
Percent of investors who agree

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

Global 7

**90%**

62	Somewhat agree
28	Strongly agree



2021 Edelman Trust Barometer Special Report: Institutional Investors. Q24: Please indicate the extent to which you agree or disagree with the following statements? Showing Somewhat Agree, Agree T2B and Strongly Agree 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

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

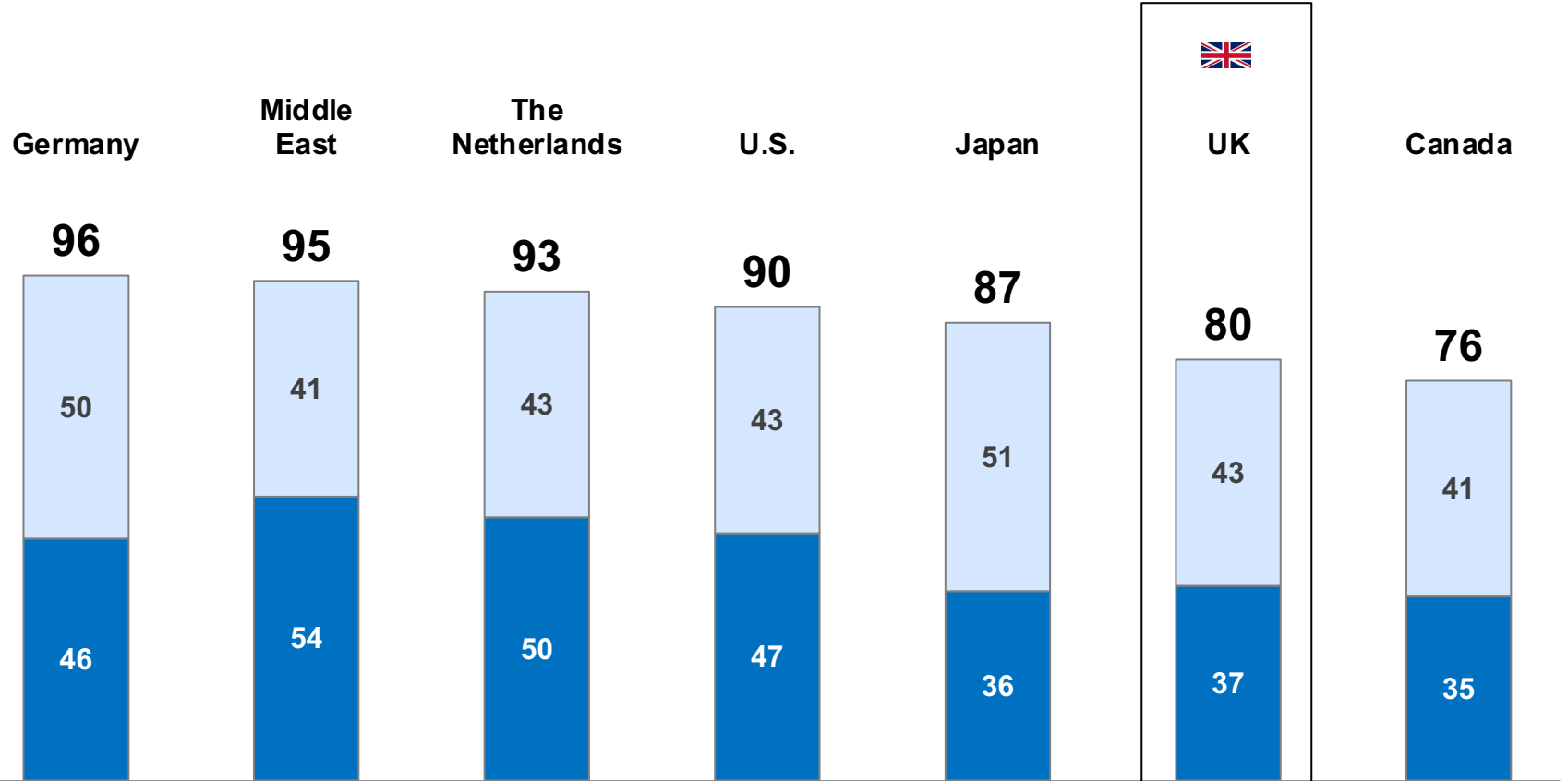
Percent of investors who agree

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

Global 7

**88%**

45	Somewhat agree
44	Strongly agree



2021 Edelman Trust Barometer Special Report: Institutional Investors. Q24: Please indicate the extent to which you agree or disagree with the following statements? Showing Somewhat Agree, Agree T2B and Strongly Agree 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

# INVESTORS EXPECT COMPANIES TO TAKE A STAND

Percent of investors who agree

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

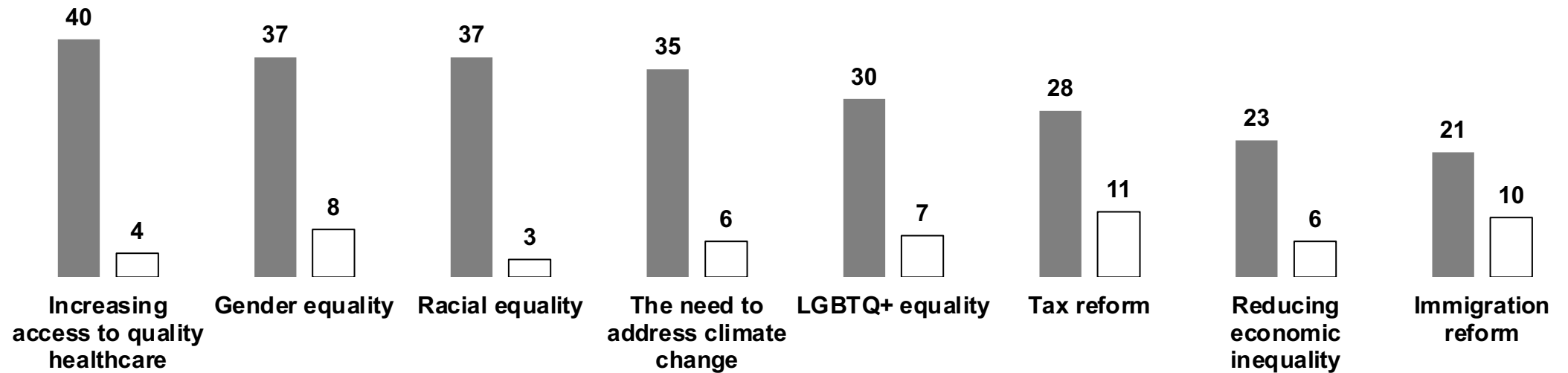
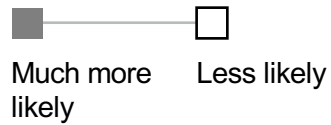
Companies have a **duty to speak out** on social issues, even if they do not directly impact their business



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; United Kingdom n=100

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

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



2021 Edelman Trust Barometer Special Report: Institutional Investors. Q22\_3. What impact, if any, does a company demonstrating strong public support for the following issues have on your likelihood to invest in that company? Shown T1B Likely/B2B Less likely Base: United Kingdom n=100