

Edelman Trust Barometer

Special Report: [Institutional Investors](#)
U.S. Results

#TrustBarometer



Institutional Investor Trust Report Methodology

N=500 Institutional Investors

Online quantitative study among

U.S. n=100

U.K. n=100

Canada n=100

Japan n=100

Germany n=100

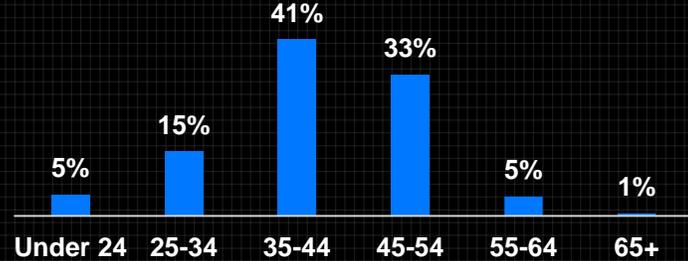
**Fielded from September 9th to
October 22nd, 2018**

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A Diverse Sample

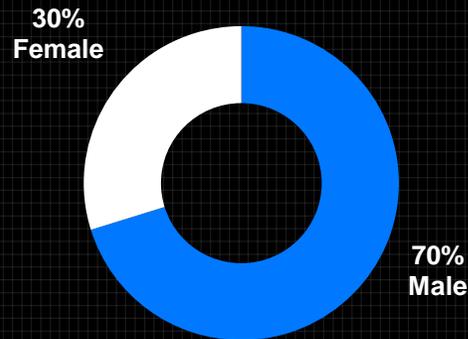
Age



Primary Investment Style

Growth	41%
Value	14%
Hedge	13%
Industry Specific	10%
Quantitative Index	7%
Activist	6%
GARP	6%
Prefer not to answer	3%

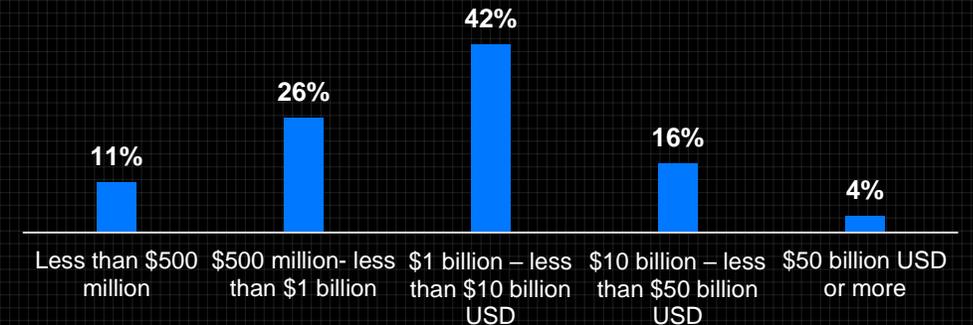
Gender



Respondents' Job Titles



Organizations' Assets Under Management



NextGen Investment Criteria

Equal focus on Environment, Social and Governance issues

Corporate culture and conduct

Role in addressing societal issues

Long-term outlook

Accessible and engaged Board

Strength of leadership team

Capital allocation framework

Cash flow outlook

Margin and profitability story

Clear and compelling growth strategy

Company's unique position within the industry

Industry opportunity and trajectory

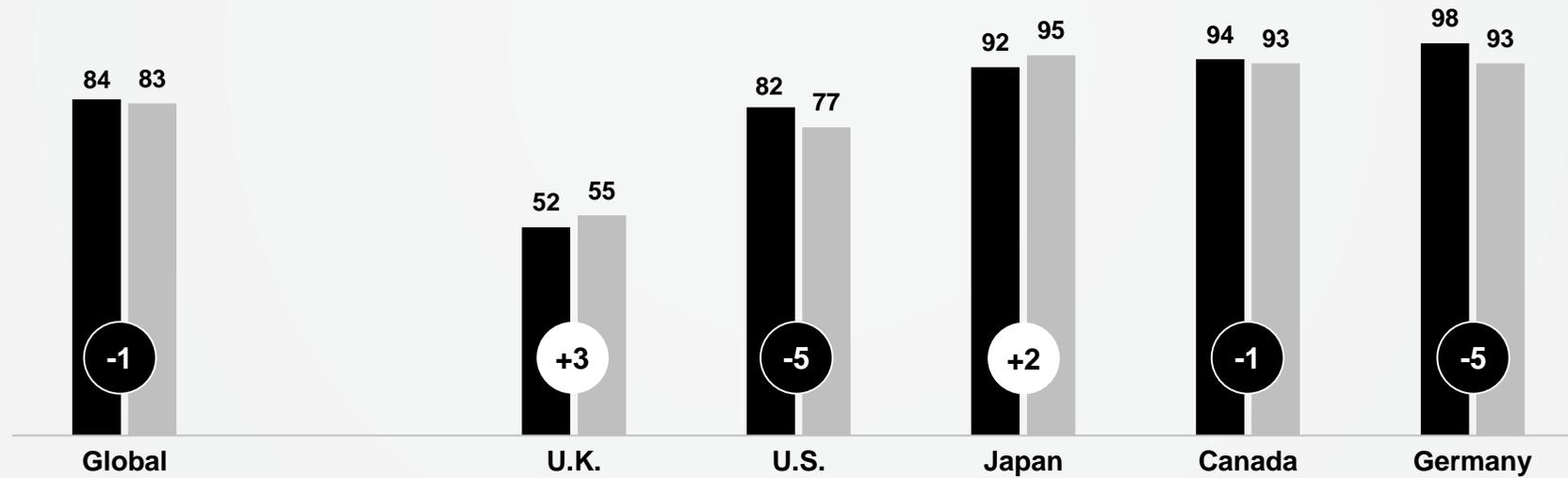
NEW YORK STOCK EXCHANGE

A Positive Mindset, Warning Signs Ahead

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Investors Positive, But Warning Signs in U.S.

Percent who feel positive

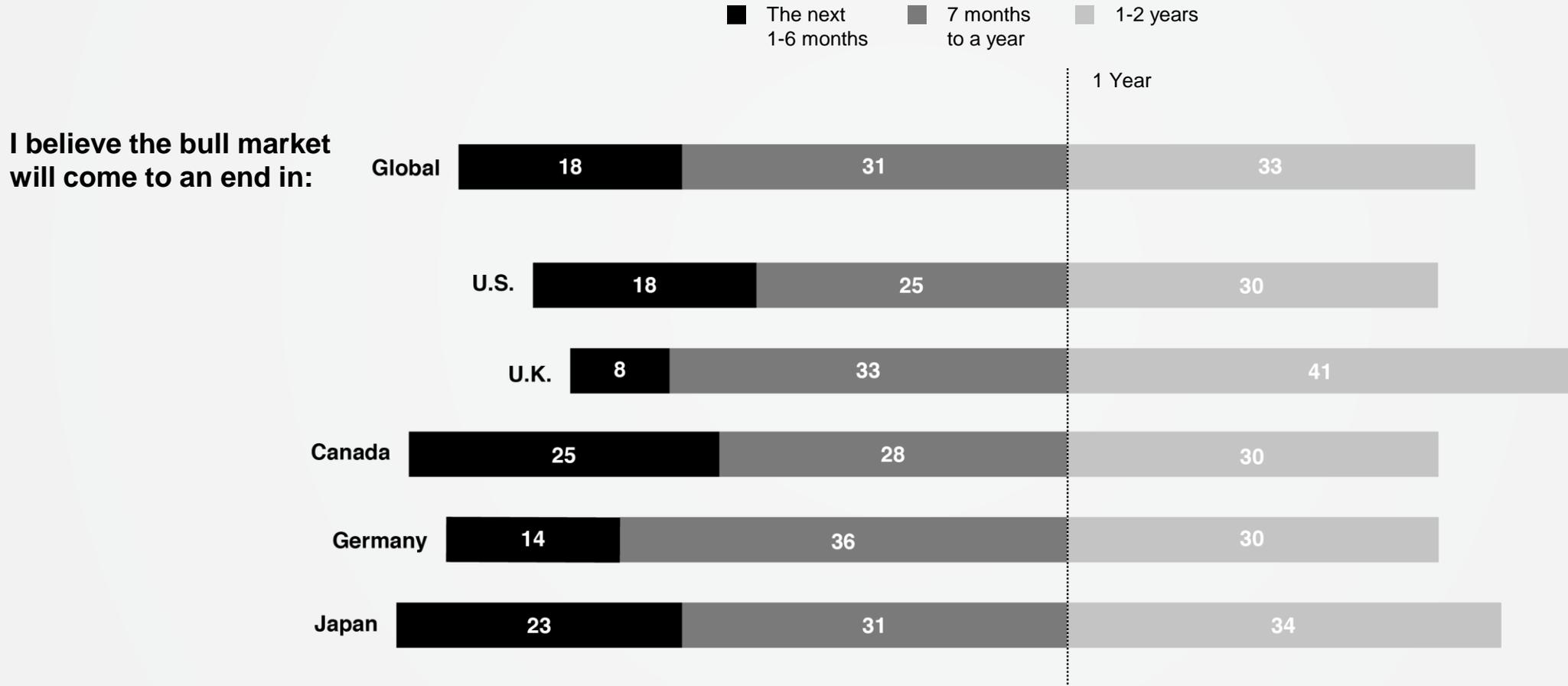


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Q1: Looking back at the economic and political climate over the past 12 months, how would you describe the current investing environment as compared to the previous year?

Q2: Looking ahead at the next 12 months, what is your outlook on where the investing environment is heading, considering the economic and political climate?

Bear Market Looming in Next Two Years





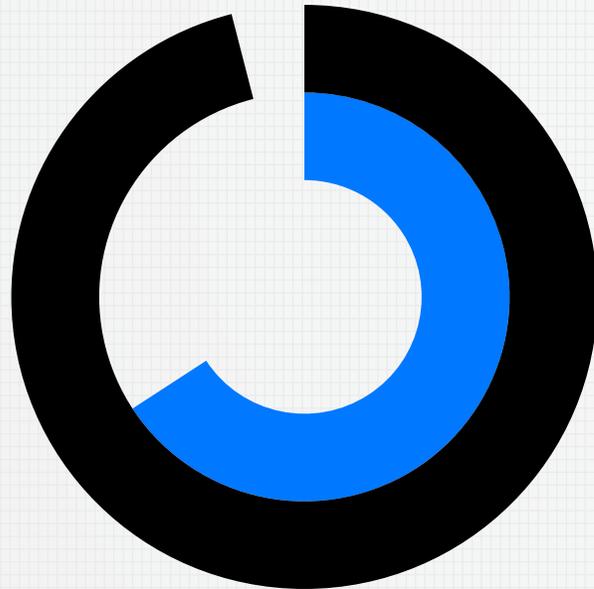
A New Set of Investment Criteria

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Long-Term Outlook Critical to Trust

Percent who say each impacts trust

Long-term guidance on financial performance



96%
Impacts trust

66%
Has a great deal of
impact on trust

42% of U.S. investors support the proposed shift from quarterly reporting to bi-annual earnings disclosure in the U.S.

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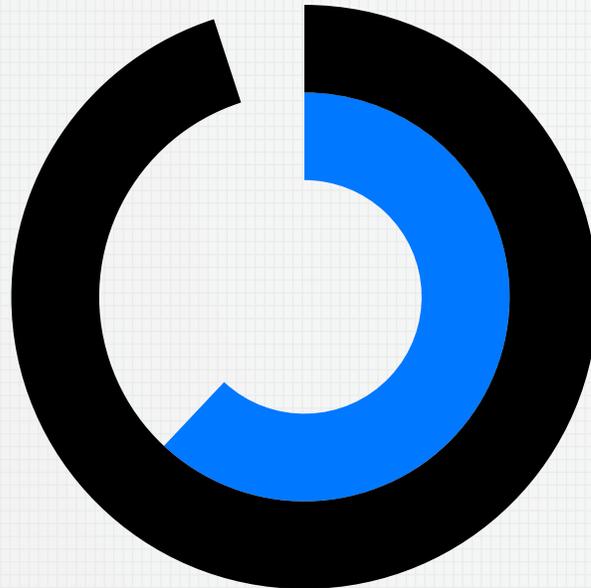
Q6. How much does each of the following disclosure practices impact your trust of a company that you are/may consider investing in or recommend? For each one, please indicate the level of impact using a 9-point scale where 1 means "no impact on trust" and 9 means "a great deal of impact on trust." - Top 4, Top 2 Summary

Q16. Please indicate the extent to which you agree or disagree with the following statements. - Top 1 - Agree Summary

Investors Reward Innovation

Percent who say each impacts trust

A company's investment in innovation impacts trust



95%
Impacts trust

62%
Has a great deal of
impact on trust

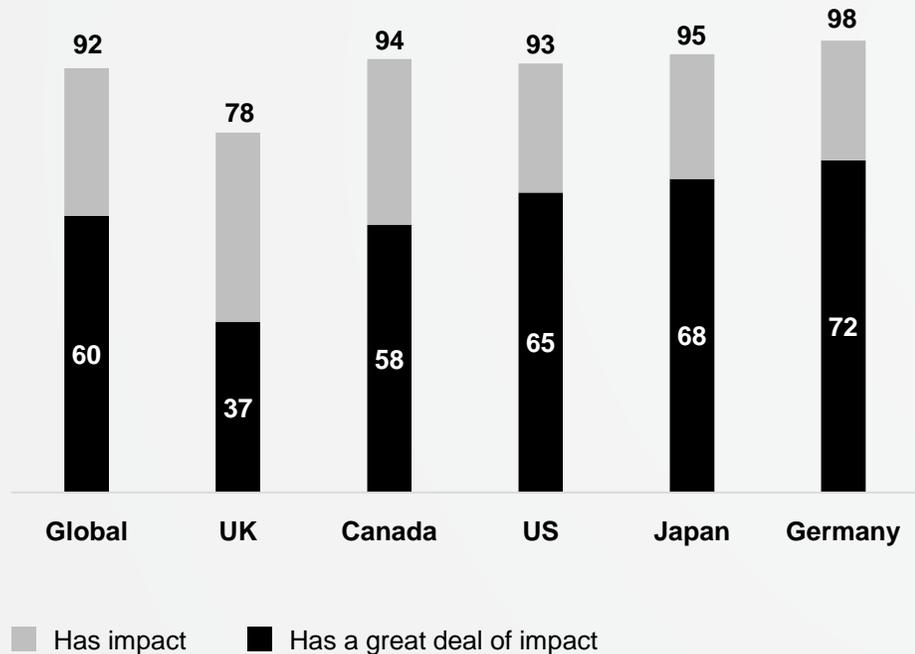
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Q7. How much does each of the following corporate behavioral practices impact your trust of a company that you are/may consider investing in or recommend? For each one, please indicate the level of impact using a 9-point scale where 1 means "no impact on trust" and 9 means "a great deal of impact on trust." – Top 4, Top 2 Summary.

Investors Expect to Be Engaged on Corporate Governance

Percent who say each impacts trust

Actively engaging the investment community on corporate governance matters



Majority agree these practices greatly impact trust

- 1 Aligning executive compensation with investor interest
- 2 Having a separate Chairman and CEO
- 3 Providing equal voting rights to shareholders
- 4 Actively engaging the investment community on corporate governance matters
- 5 Aligning executive compensation with industry peers
- 6 Frequently refreshing the Board of Directors
- 7 Executive Board and stock ownership
- 8 Diversity within a company's Board of Directors and executive team
- 9 Proxy access
- 10 Having a staggered (classified) Board

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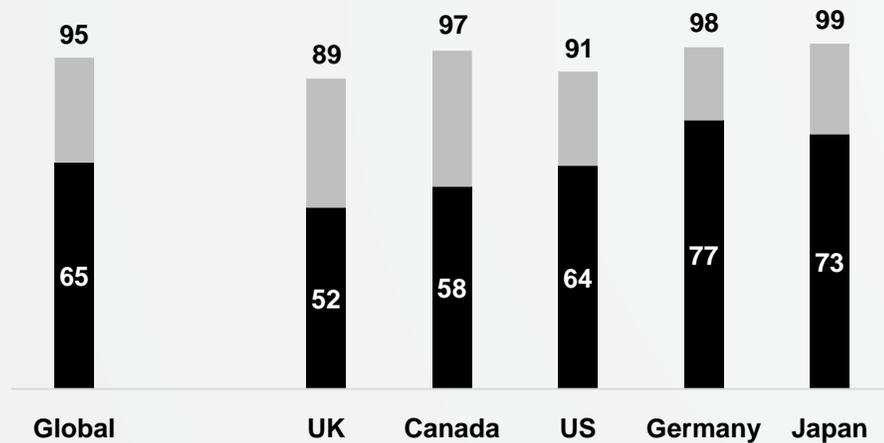
Q8. How much does each of the following corporate governance practices impact your trust of a company that you are/may consider investing in or recommend? For each one, please indicate the level of impact using a 9-point scale where 1 means "no impact on trust" and 9 means "a great deal of impact on trust." - Top 4, Top 2 Summary

Culture and Conduct Matter

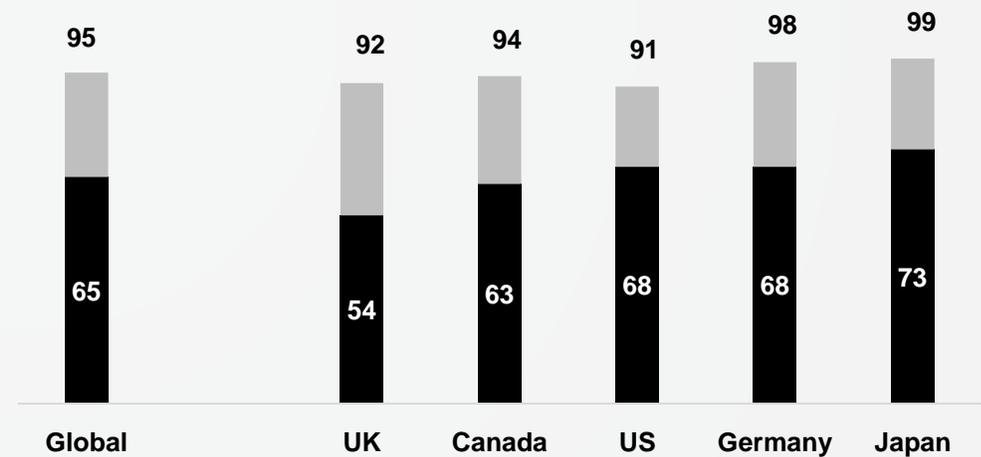
Percent who say each impacts trust

■ Has impact ■ Has a great deal of impact

Maintaining healthy company culture



Enforcing a corporate code of conduct at all levels of the company



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Q7. How much does each of the following corporate behavioral practices impact your trust of a company that you are/may consider investing in or recommend? For each one, please indicate the level of impact using a 9-point scale where 1 means "no impact on trust" and 9 means "a great deal of impact on trust." - Top 4, Top 2 Summary



Societal Impact

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Businesses Expected to Lead

2018 Trust Barometer

64%

say that **CEOs should take the lead on change** rather than waiting for government to impose it

2018 Edelman Earned Brand Study

64%

of consumers are belief-driven buyers, **up 13%** as compared to 2017

Institutional Investor Trust Report

98%

of investors think public companies are **urgently obligated** to address one or more societal issues to ensure the global business environment remains healthy and robust

Top 5 Issues

- 1 Cybersecurity
- 2 Income inequality
- 3 Workplace diversity
- 4 National security
- 5 Immigration

Source: 2018 Edelman Trust Barometer. COM_MCL. When looking for general news and information, how much would you trust each type of source for general news and information? Please use a nine-point scale where one means that you "do not trust it at all" and nine means that you "trust it a great deal." 9-point scale; top 4 box, trust, question asked of half of the sample. TRU_INS. Below is a list of institutions. For each one, please indicate how much you trust that institution to do what is right using a nine-point scale, where one means that you "do not trust them at all" and nine means that you "trust them a great deal." 9-point scale; top 4 box, trust. CEO_AGR. Thinking about CEOs, how strongly do you agree or disagree with the following statements? 9-point scale; top 4 box, agree, question asked of half of the sample. General population, 8-market average.

Source: 2018 Edelman Earned Brand. Q17. Please indicate how much you agree or disagree with the following statements. 9-point scale; top 4 box, agree. 8-market average.

Source: 2018 Edelman Earned Brand. Belief-driven buying segments. 8-market average

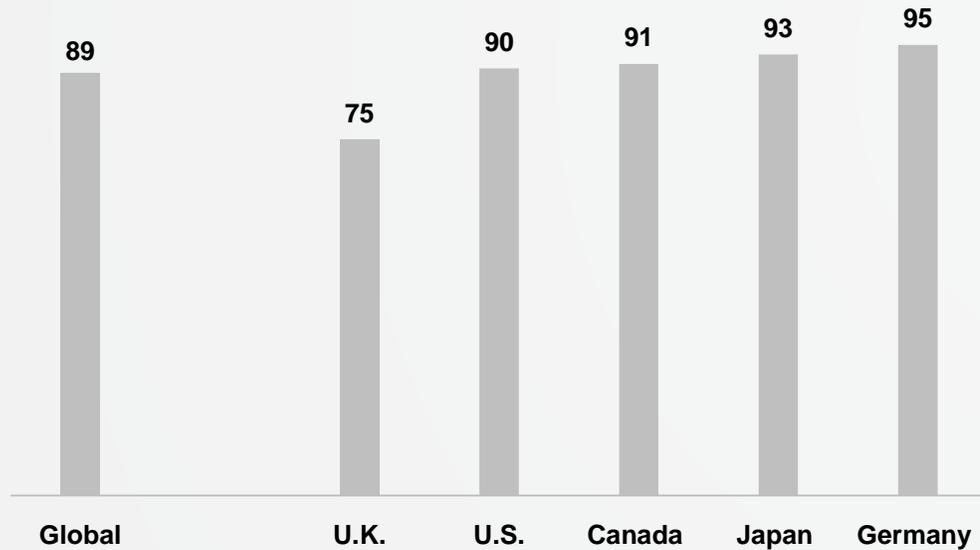
Source: Edelman Trust Barometer Special Report: Institutional Investors

Q17. The following is a list of societal issues that are currently the focus of concern and debate in many countries. These issues may cause the creation of new governmental rules, laws and policies that have implications for how businesses operate. Please select the issues you feel companies have an urgent obligation to take a public stand on to ensure the global business environment remains healthy and robust.

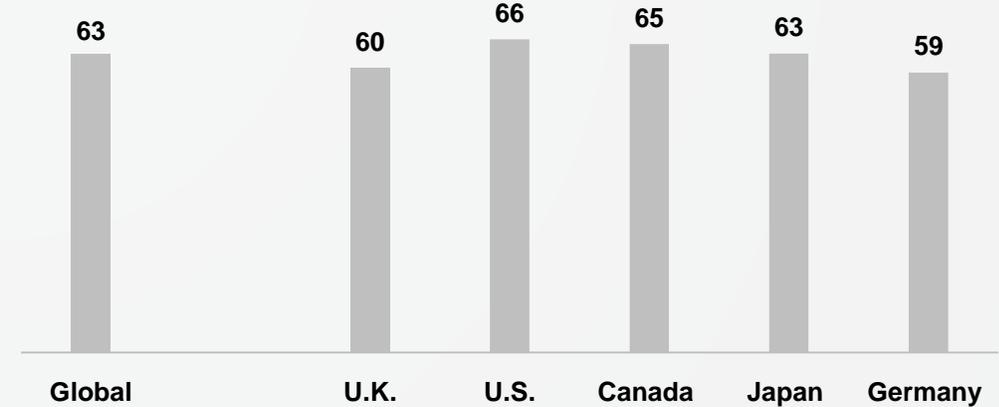
Investor ESG Focus Now Pervasive

Percent who agree

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



Percent who say the change has taken place in the last year



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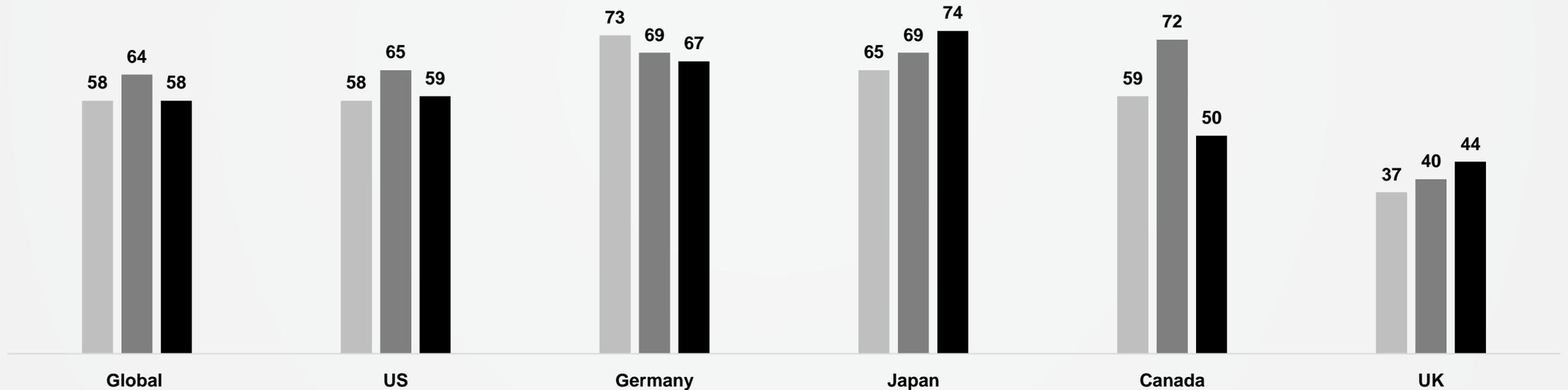
Q12: Please indicate the extent to which you disagree or agree with the following statements regarding ESG/impact and socially responsible investing. Top 2 Agree Summary

Q12a: You mentioned that your company has changed its voting/engagement policy to be more attentive to ESG risks. When did this change take place?

Environmental and Social Practices Matter as Much as Governance

Percent who agree each is very important

■ Environmental ■ Social ■ Governance

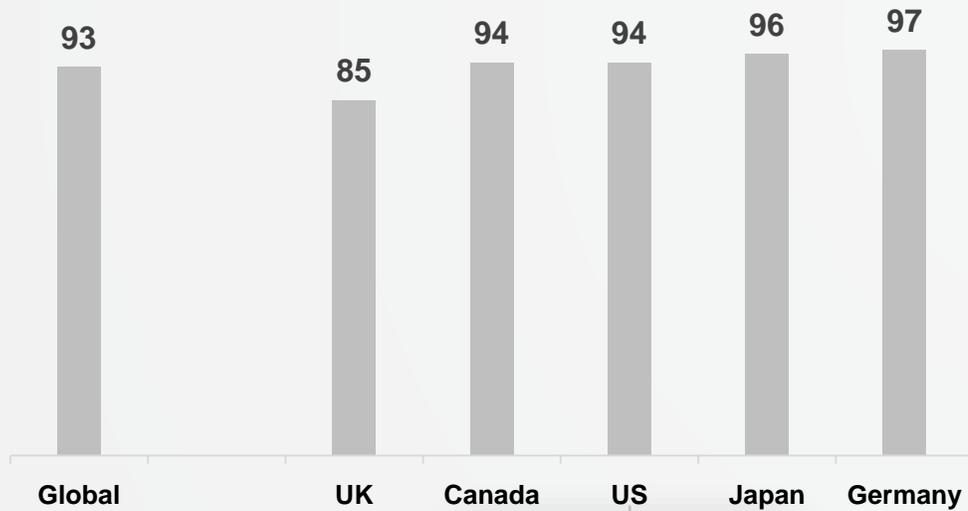


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Q12b. Please select how important each of the following elements is when it comes to ESG investing. For each one, please indicate how important it is using a 9-point scale where 1 means "not at all important" and 9 means "most important". - Top 2 Summary.

ESG Essential to Long-Term Value

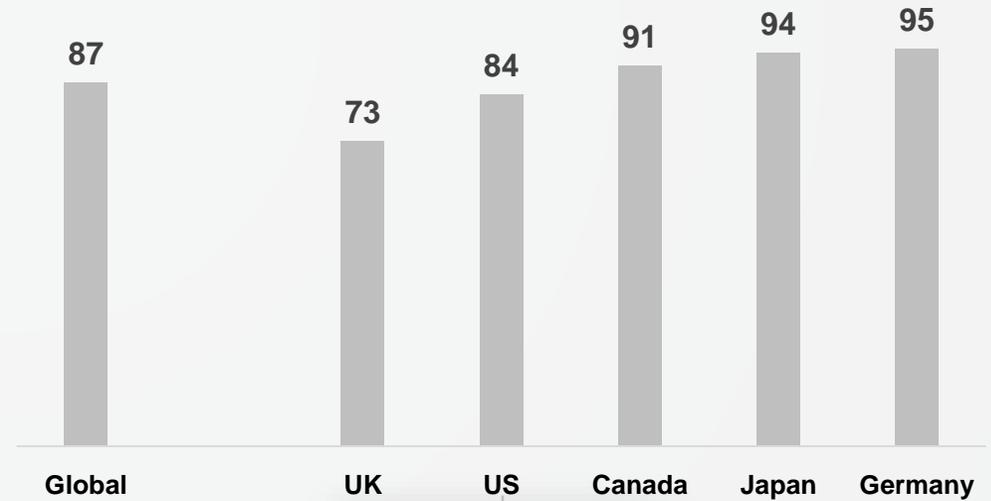
Percent who agree

My firm believes that long-term value hinges on both financial performance and ESG features



+3 rank spots year-over-year in the U.S.

My firm would consider investing with a lower rate of return if [the investment] included sustainable or impact investing considerations



+4 rank spots year-over-year in the U.S.

A stack of newspapers is shown in a grayscale, slightly blurred perspective. The top newspaper's masthead reads "WORLD BUSINESS". Below it, another newspaper has the word "Business" visible. A vibrant blue graphic consisting of many thin, overlapping wavy lines flows across the scene, starting from the left and moving towards the right, partially obscuring the newspapers. The overall composition is clean and professional, suggesting a focus on global news and business.

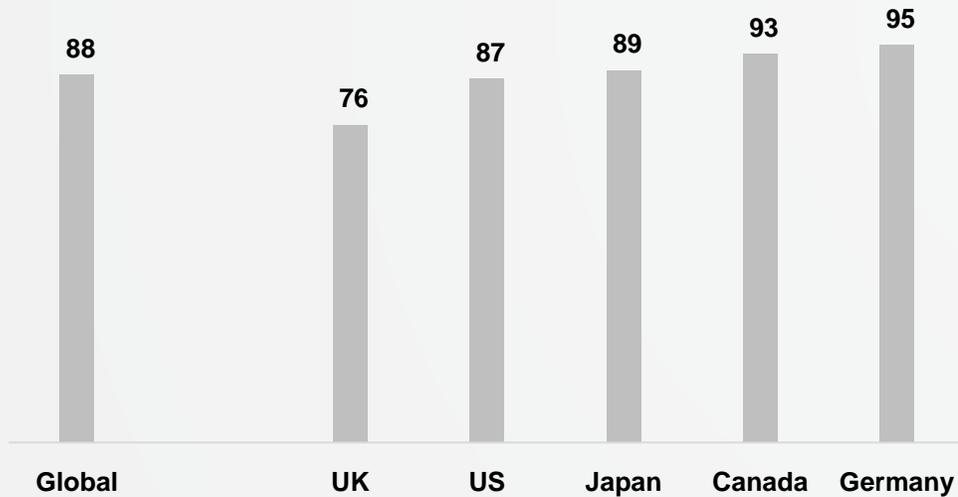
Politics

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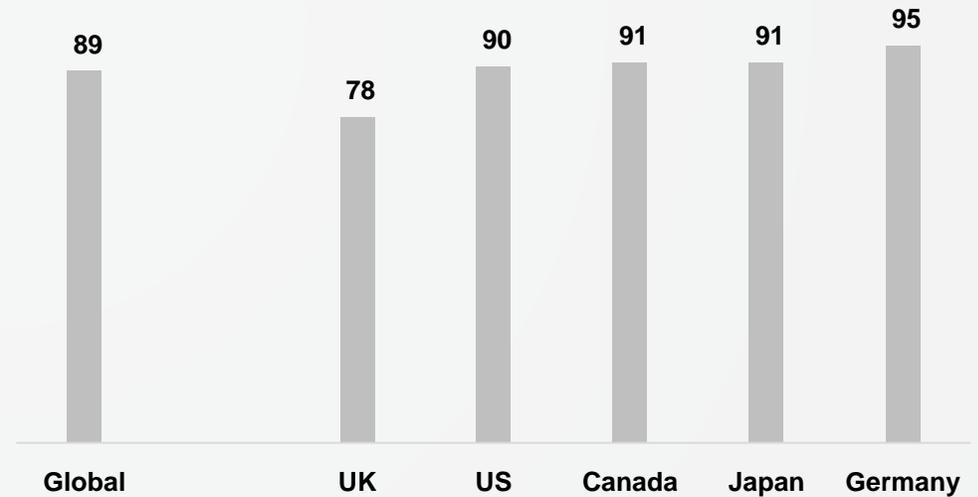
Political Climate is Changing Investment Strategies

Percent who agree

The current political climate is changing my firm's investment strategy



Trade risks are changing my firm's investment strategy



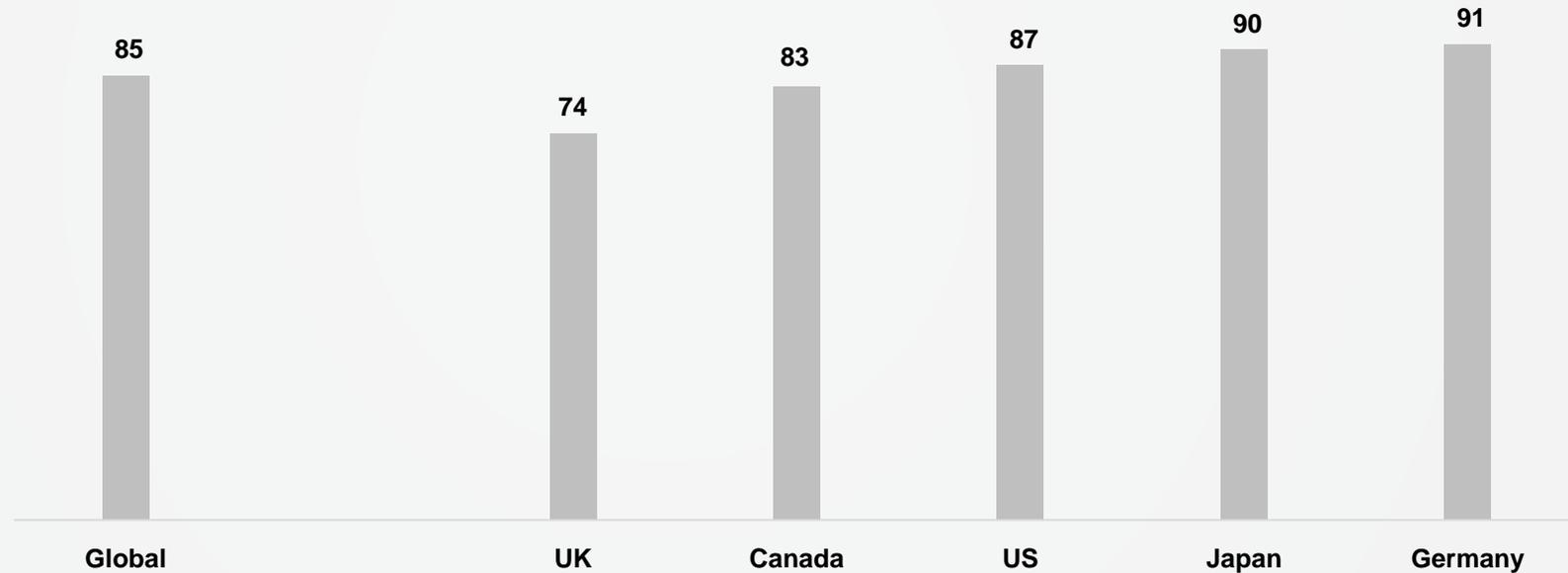
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Q18. Below is a list of statements about the current political and business climate in which publicly traded companies operate. Please indicate the extent to which you agree or disagree with the following statements. - Top 2 - Agree Summary.

Companies Seen as Unprepared for Political Risks

Percent who agree

Most companies do not fully acknowledge the new risks to their business from the current political climate



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Q18. Below is a list of statements about the current political and business climate in which publicly traded companies operate. Please indicate the extent to which you agree or disagree with the following statements. - Top 2 - Agree Summary.



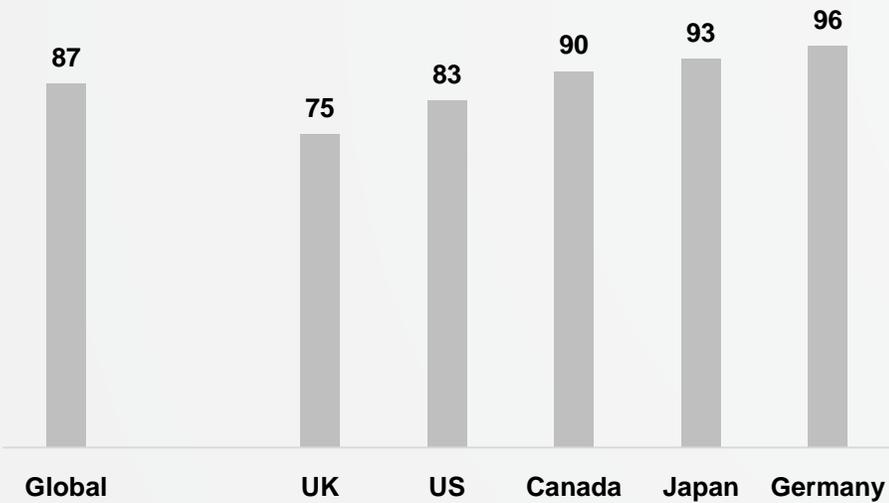
Activism

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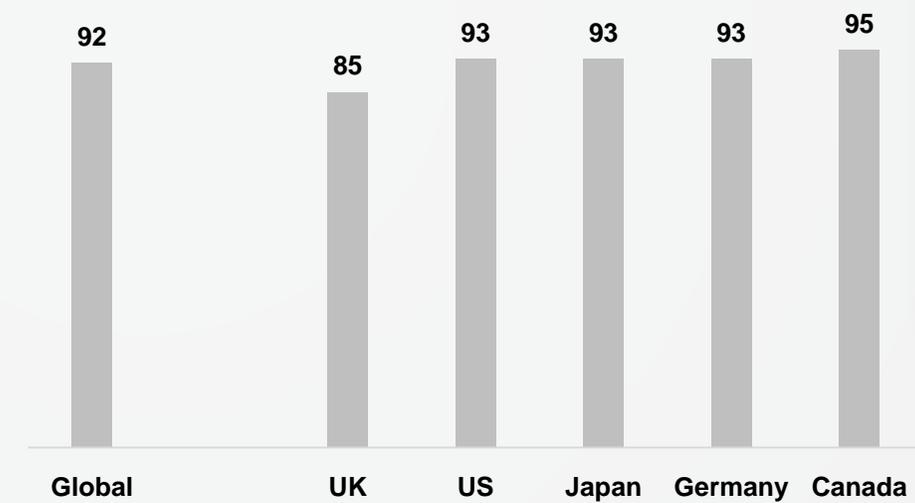
Expect All Investors to Be Activists

Percent who agree

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



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



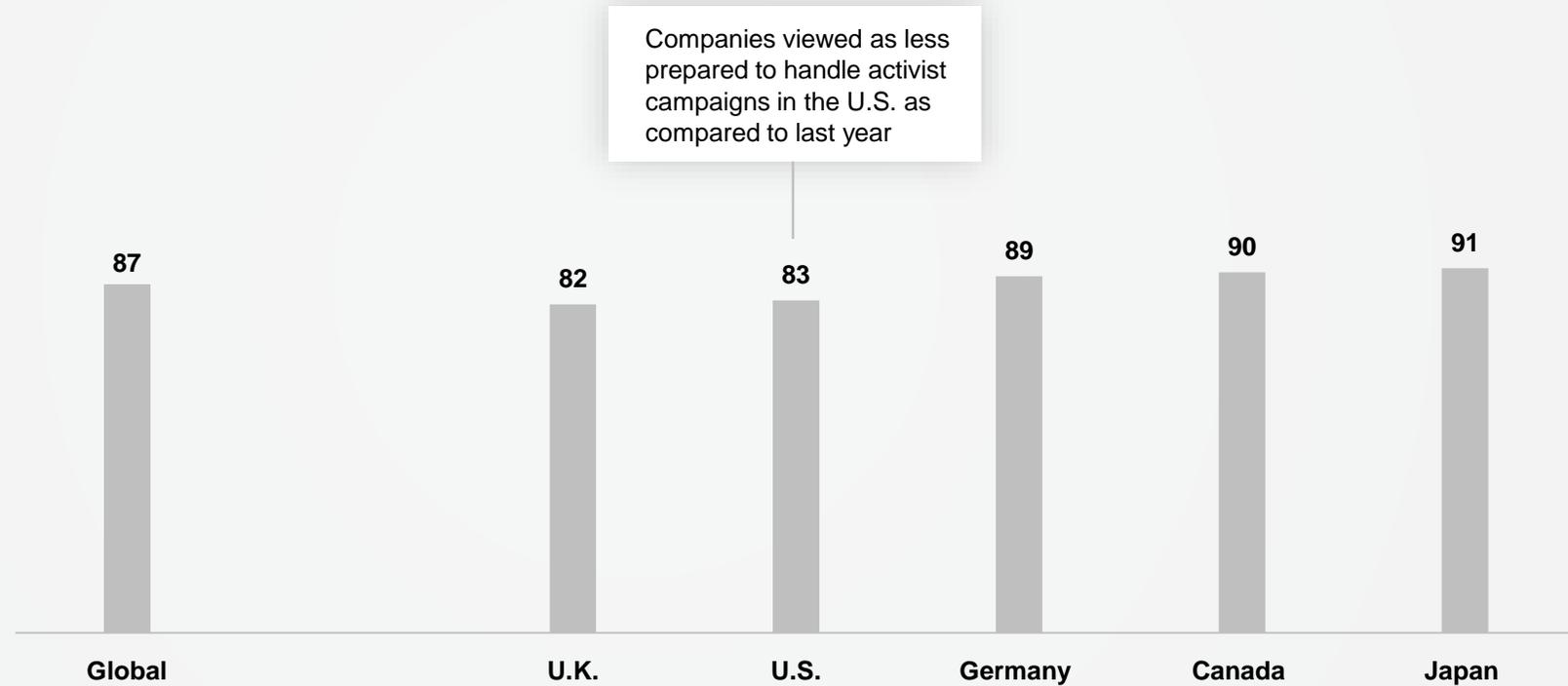
Global Market Context:

- Year to date in 2018, **853 companies** were targeted in activist campaigns⁽¹⁾
- During full year 2017, **854 companies** were targeted in activist campaigns⁽¹⁾

Companies Seen as Unprepared for Activist Campaigns

Percent who agree

Most companies are not prepared to handle activist campaigns





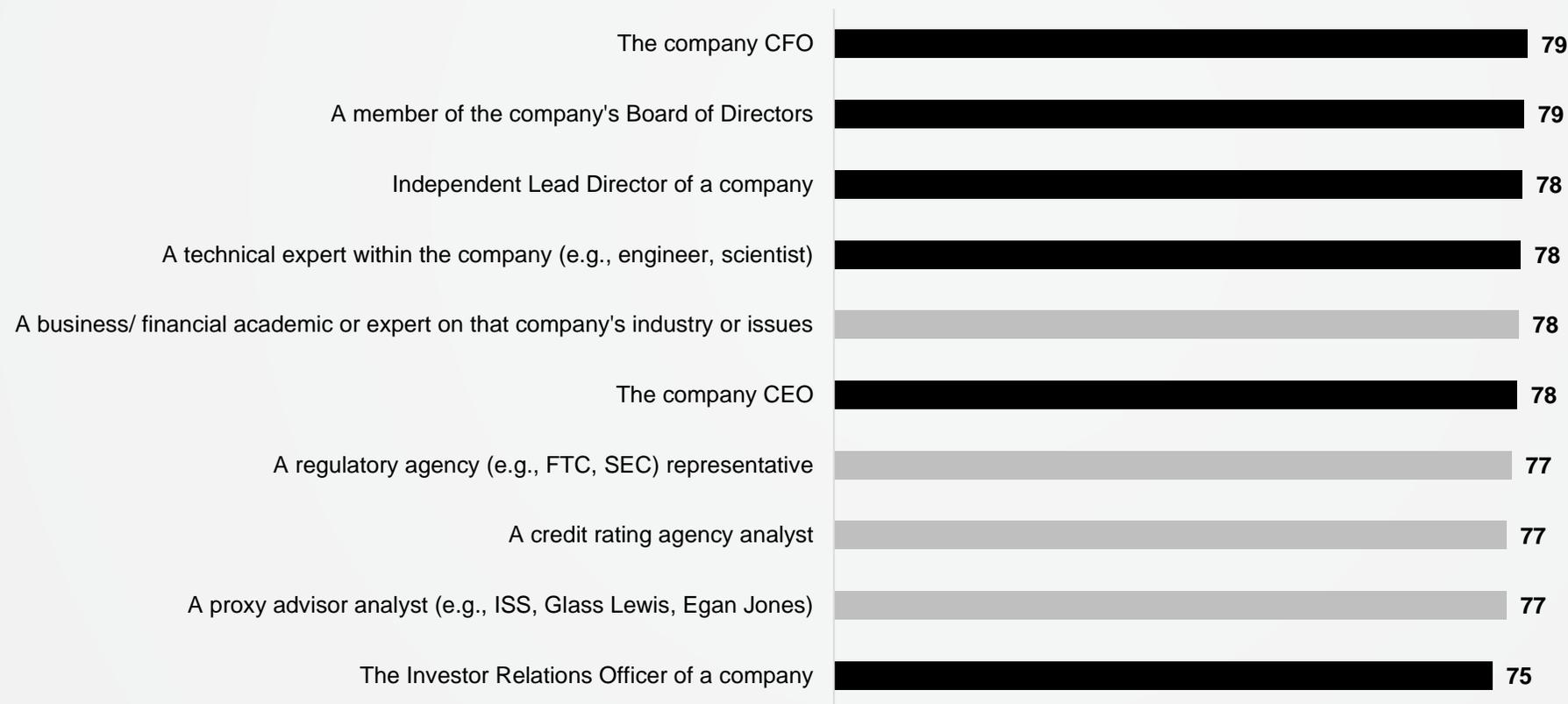
A New Framework for Telling Your Investment Story

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Management Does Not Fully Control the Company's Narrative

■ Internal spokesperson ■ External spokesperson

Percent who believe the following source of information is credible



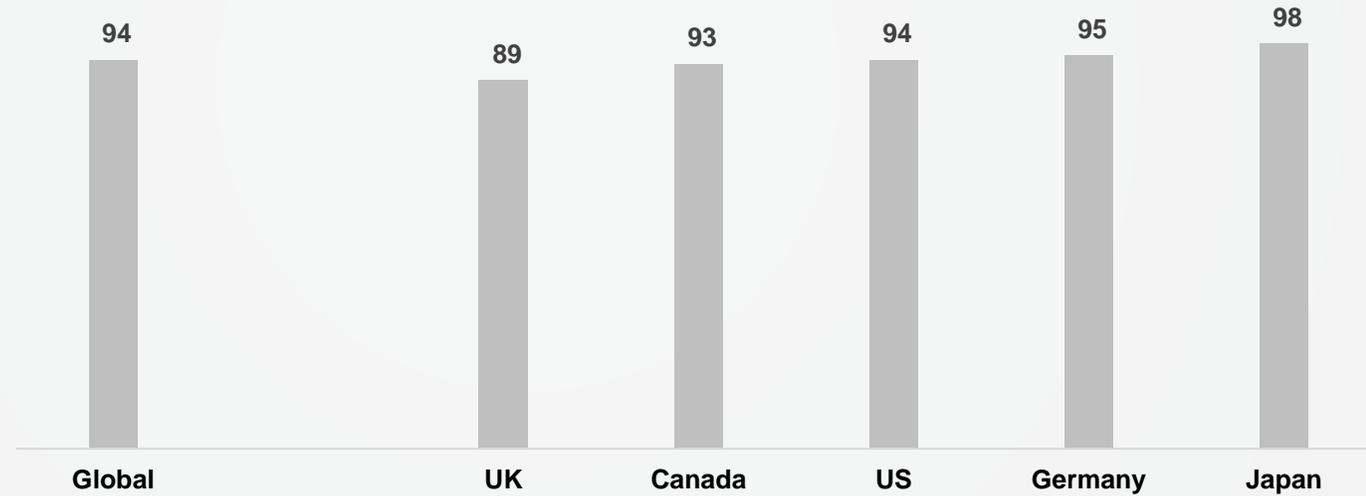
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Q13. Below is a list of people. In general, when forming an opinion of a company, if you heard information about a company from each person, how credible would the information be—not credible at all, somewhat credible, very credible, or extremely credible? - Top 2 Summary.

Investors Must Trust the Board of Directors

Percent who agree

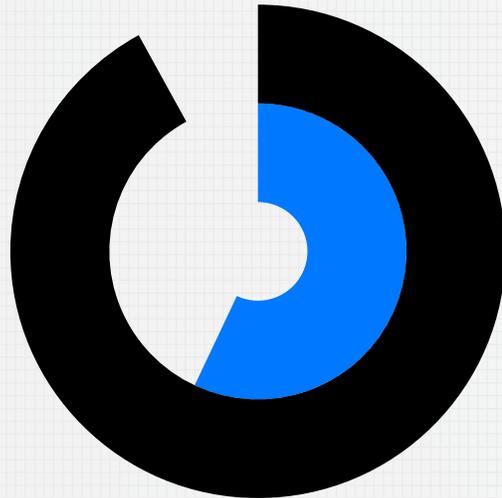
I must trust a company's Board of Directors before making or recommending an investment



The Board of Directors Needs to Be Accessible and Engaged

Percent who say each is important when considering a company to invest in

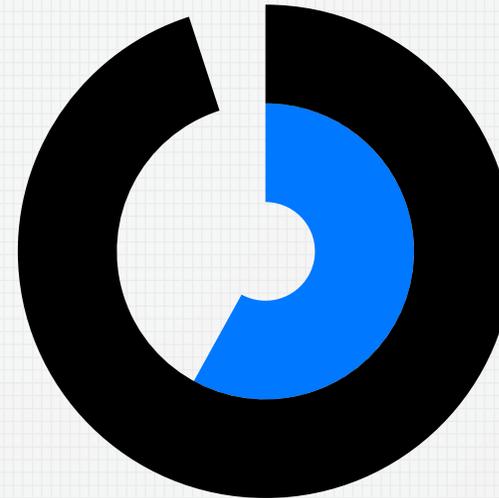
Access to Board of Directors



92%
Is important

57%
Is very important

An engaged and effective Board of Directors



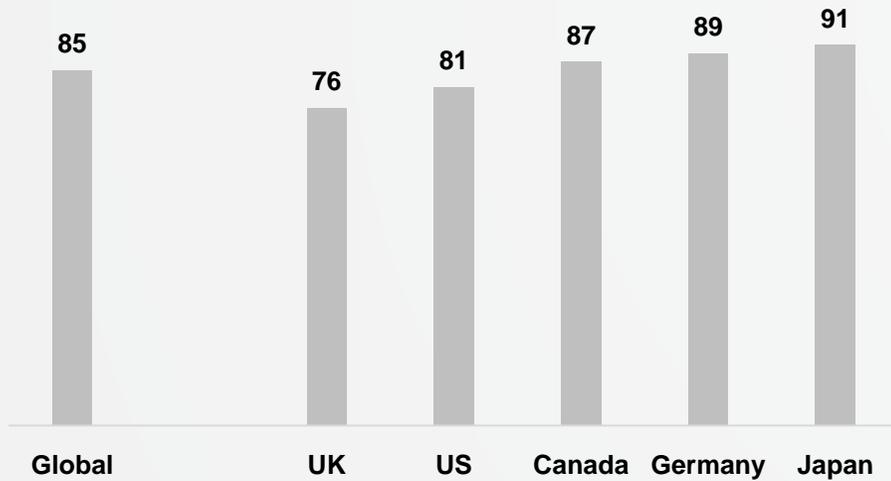
95%
Is important

58%
Is very important

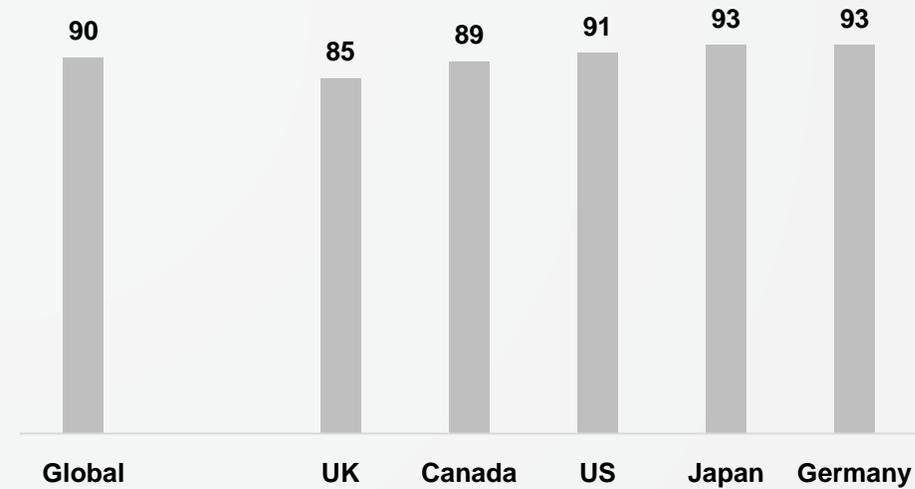
Investors Want More Progressive IR Communications

Percent who agree

The way most companies share information for IR purposes is outdated



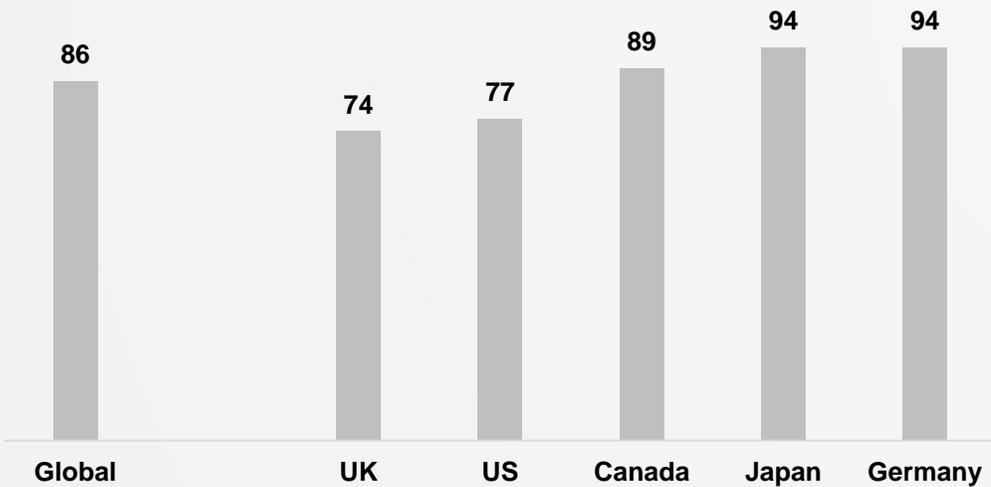
When evaluating a current or prospective investment, I would like to see more visual ways of sharing information



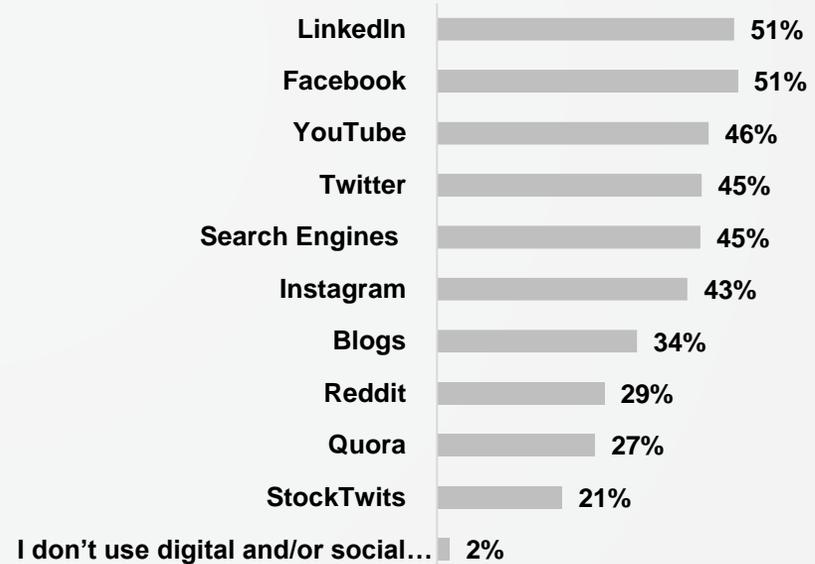
Digital Now Essential to Investor Decision Process

Percent who agree

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



Percent who use this type of media on a weekly basis to inform investment decisions



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Q16. Please indicate to what extent you agree or disagree with the following statements. - Top 2 Agree Summary

Q15. Below is a list of digital and social platforms. In general, in your role, which you do you use on a weekly basis to inform your investment decisions?

NextGen Investment Criteria

Equal focus on Environment, Social and Governance issues

Corporate culture and conduct

Role in addressing societal issues

Long-term outlook

Accessible and engaged Board

Strength of leadership team

Capital allocation framework

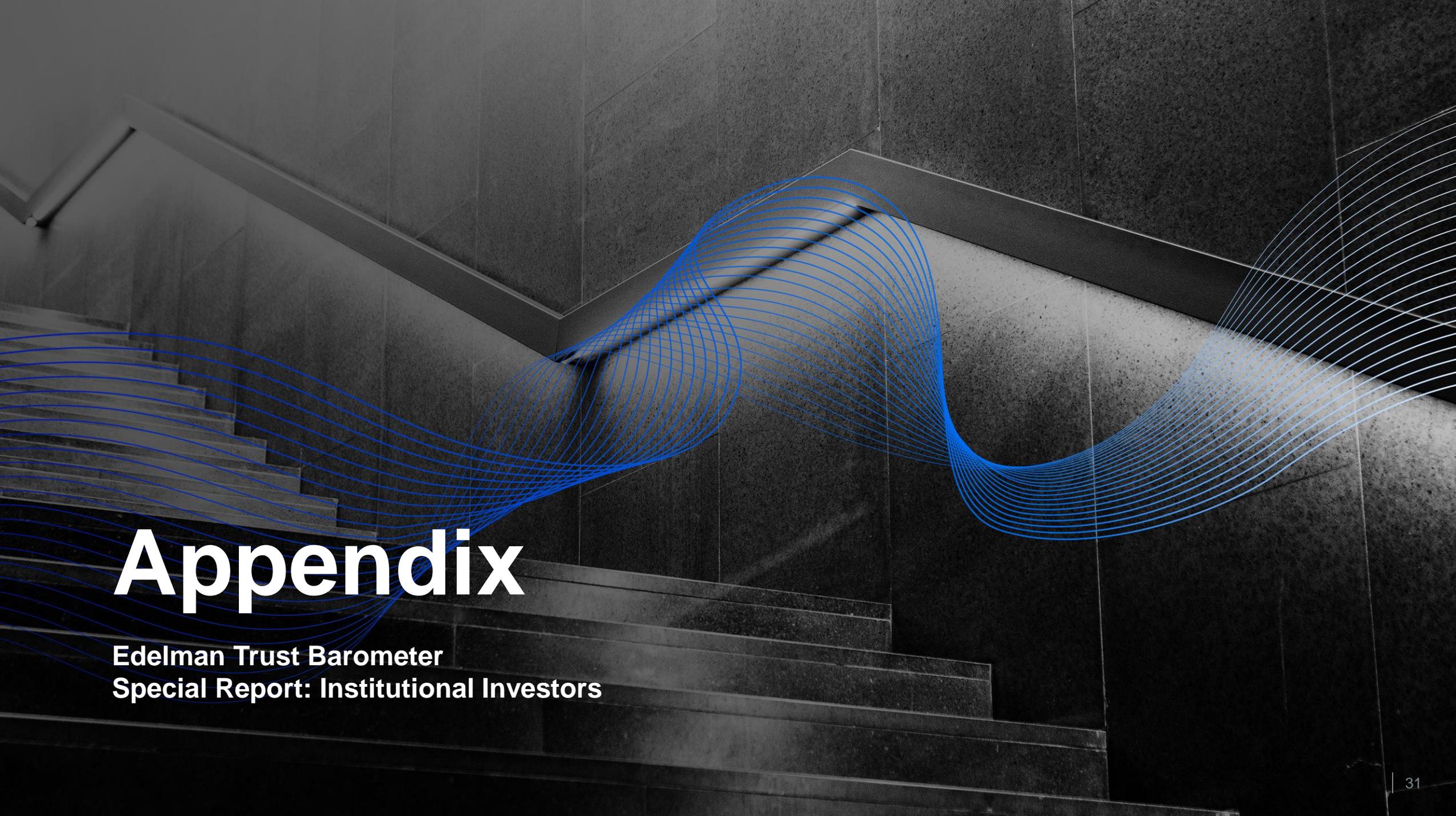
Cash flow outlook

Margin and profitability story

Clear and compelling growth strategy

Company's unique position within the industry

Industry opportunity and trajectory

The background is a dark, monochromatic photograph of a modern interior space. On the left, a staircase with wide, dark steps leads upwards. The walls and ceiling are composed of large, dark panels. A prominent feature is a blue wireframe graphic that flows across the scene, resembling a stylized wave or a series of overlapping lines that create a sense of movement and depth. The overall mood is sophisticated and architectural.

Appendix

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Trust is Most Important Factor in Investment Decisions

Percent who find each company attribute very important when making investing decisions

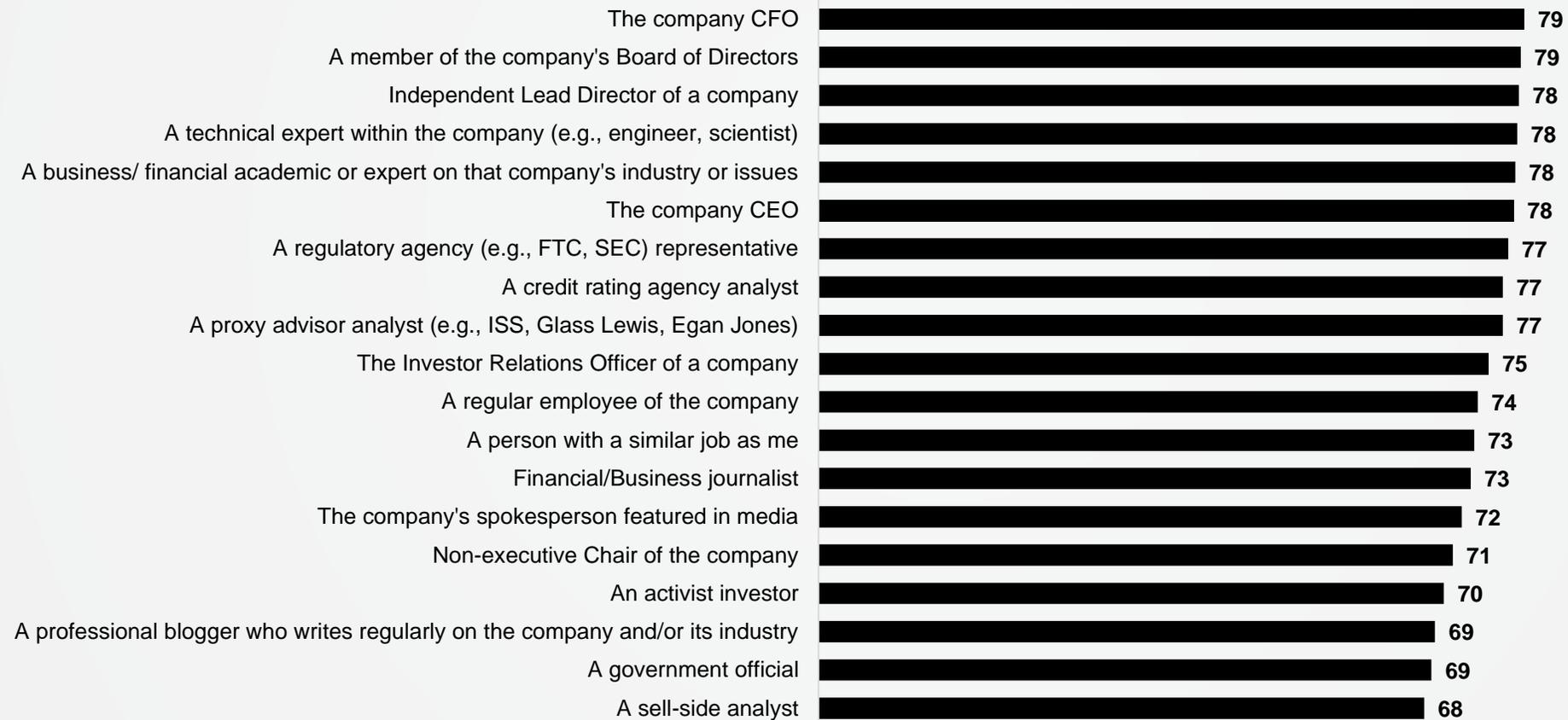


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Q4: How important are each of the following when considering a company to invest in (or to recommend doing so)? For each one, please indicate how important it is using a 9-point scale where 1 means "not at all important" and 9 means "most important". - Top 2 Summary

Management Doesn't Solely Control a Company's Narrative

Percent who believe the following source of information is credible



Edelman Trust Barometer Special Report: Institutional Investors

Q13. Below is a list of people. In general, when forming an opinion of a company, if you heard information about a company from each person, how credible would the information be—not credible at all, somewhat credible, very credible, or extremely credible? - Top 2 Summary.

Multiple Sources for ESG Credibility

Percent who use the following sources to evaluate a company's ESG policies



"My Trust in a Company" Ranks as a Top Attribute Driving Investment Decisions Year-Over-Year in the U.S.



Top 5 2017

- 1 My trust in the company
- 2 Current valuation vs. peer companies
- 3 Ethical standards
- 4 Ability to meet financial guidance
- 5 Historical financial performance

Top 5 2018

- 1 My trust in the company
- 2 Provide forward-looking financial guidance
- 3 Industry reputation
- 4 ESG risk management
- 5 An engaged and effective Board of Directors

U.S. Investors Believe Companies Should Engage the Investment Community on Corporate Governance



Percent who strongly agree these corporate governance practices impact trust of a company when considering investing in or recommending



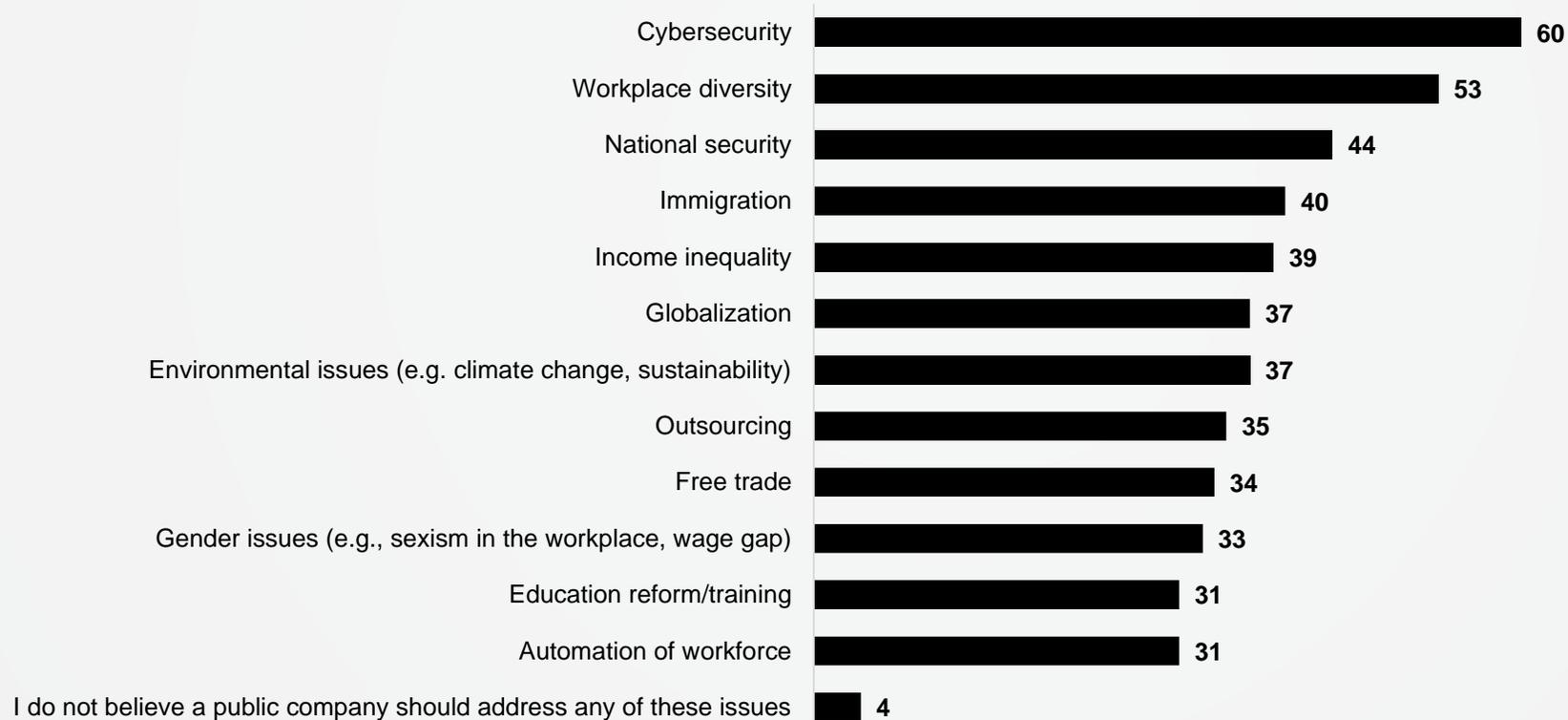
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Q8. How much does each of the following corporate governance practices impact your trust of a company that you are/may consider investing in or recommend? For each one, please indicate the level of impact using a 9-point scale where 1 means "no impact on trust" and 9 means "a great deal of impact on trust." - Top 2 Summary.

U.S. Investors Think a Company Should Take a Stand Social Issues



Percent who think companies should take a public stand on these issues



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Q17. The following is a list of societal issues that are currently the focus of concern and debate in many countries. These issues may cause the creation of new governmental rules, laws and policies that have implications for how businesses operate. Please select the issues you feel companies have an urgent obligation to take a public stand on to ensure the global business environment remains healthy and robust.

2018 Edelman Trust Barometer

Methodology

Online Survey in 28 Markets

18 years of data

33,000+ respondents total

All fieldwork was conducted between October 28 and November 20, 2017

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).

General Online Population

7 years in 25+ markets

Ages 18+

1,150 respondents per market

All slides show general online population data unless otherwise noted

Informed Public

10 years in 20+ markets

Represents 15% of total global population

500 respondents in U.S. and China; 200 in all other markets

Must meet 4 criteria:

Ages 25-64

College educated

In top 25% of household income per age group in each market

Report significant media consumption and engagement in business news

Mass Population

All population not including informed public

Represents 85% of total global population



2018 Edelman Earned Brand

Methodology

A study of how brands can earn, strengthen and protect consumer-brand relationships

8 Markets

Brazil, China, France, Germany, India, Japan, the U.K. and the U.S.

All data is nationally representative based on age, region and gender

Margin of error

8-market average online survey data +/- 1.1% (N=8,000)

Market-specific online survey data +/- 3.1% (N=1,000)

8-market average mobile survey data +/- 0.6% (N=32,000)

Market-specific mobile survey data +/- 1.6% (N=4,000)

Online Survey

Belief-driven buying and general attitudes toward brands

Relationships with 48 brands

Reactions to two communications from each of 16 brands

8,000 respondents (1,000 per market)

Fieldwork: July 10 – July 20, 2018

Mobile Survey

Signal-contingent measurement of reactions to specific brand communications

Respondents were asked to describe their experience with the next brand communication they noticed naturally

32,000 respondents (4,000 per market)

Fieldwork: June 29 – July 24, 2018