

SPECIAL REPORT: Institutional Investors U.S. Results



Institutional Investor Trust Report

Methodology

N=600 Institutional Investors

Online quantitative study among

U.S. n=100

U.K. n=100

Canada n=100

Germany n=100

Japan n=100

Netherlands n=100

**Fielded from September 3rd to
October 9th, 2020**

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

6-Market Global Average: +/- 4%

United States, United Kingdom, Canada, Germany, Japan, Netherlands: +/- 9.8%

Contents

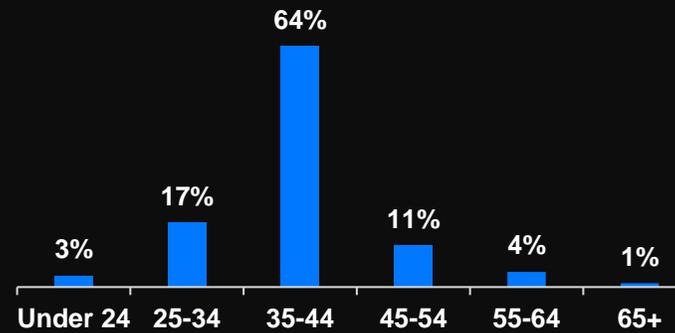
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U.S. Investor Profile

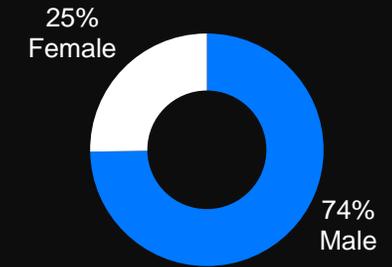
Primary Investment Style

Growth	23%
Value	32%
Hedge	5%
Quantitative/Index	7%
GARP	8%
Industry-specific	10%
Activist	13%

Age



Gender

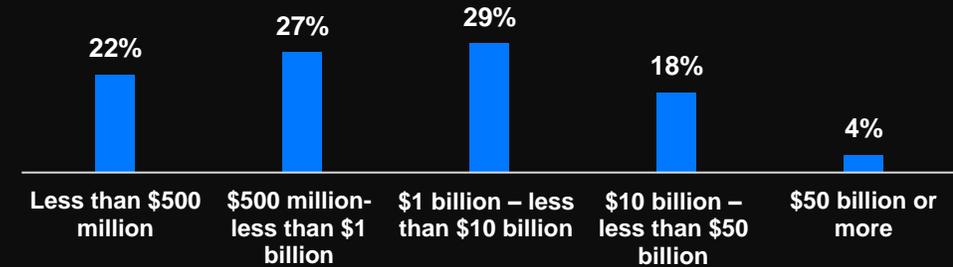


Respondents' Job Titles



Organizations' Assets Under Management

In USD



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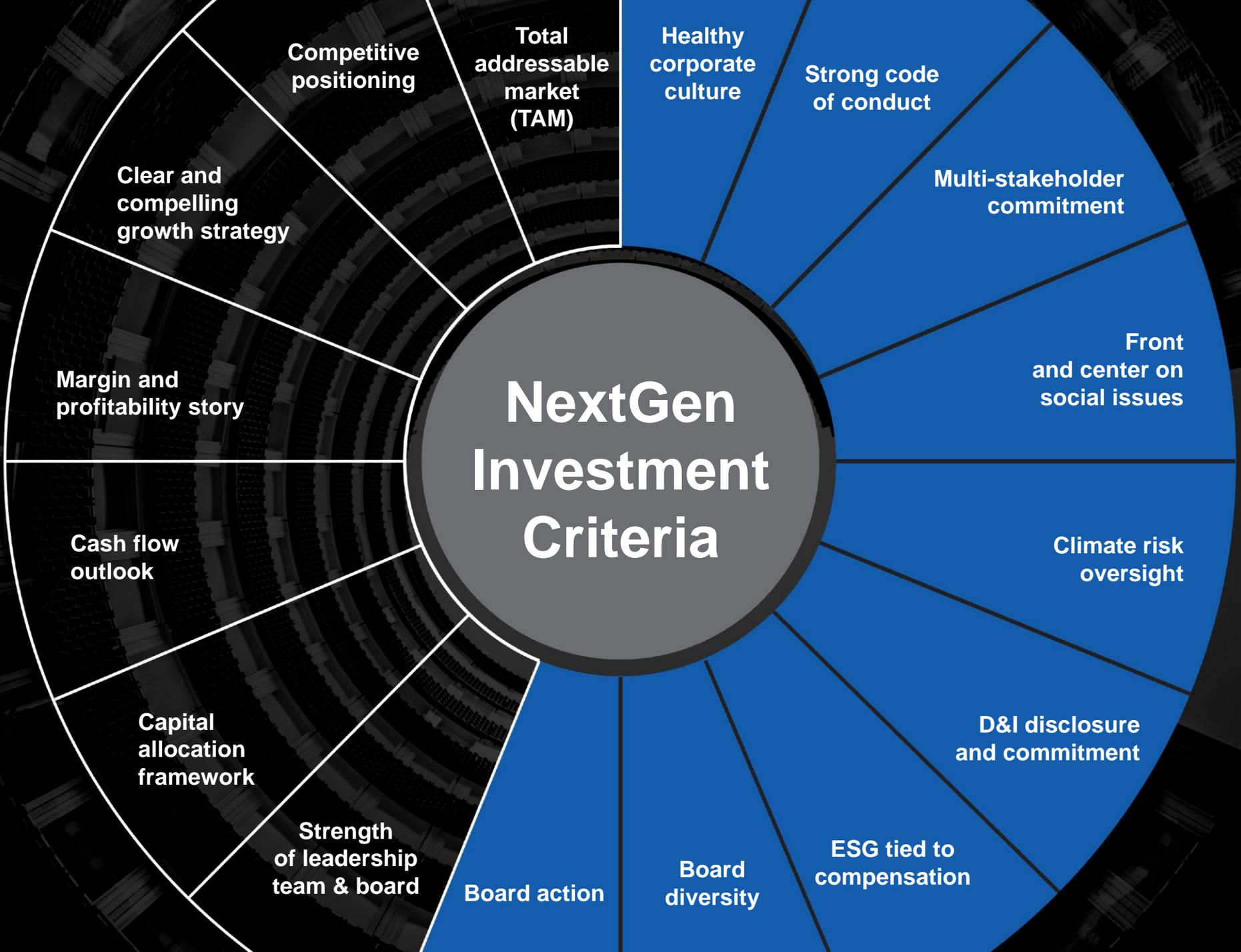
S1: What is your approximate age range?

S7: In your current job, approximately how much are your institution's investable assets?

S8: Which of the following best describes your position or level within your company or organization?

D2: What is the primary investment style for the funds you manage on behalf of your organization?

D4: What is your gender? United States n=100



THE IMPACT OF THE PANDEMIC ON INVESTOR STRATEGY

1.

Social climbs to the most important ESG priority for U.S. investors

6-market global average also sees a notable increase in the importance of social

2.

ESG is temporarily deprioritized in the face of COVID-19

3.

Profitable companies don't get a pass; they must continue to prioritize ESG even during the pandemic

4.

Maintaining a healthy corporate culture is cited as a top contributor to building investor trust

5.

Activism condoned in the current market environment and set to increase as we recover from COVID-19



Is ESG a Luxury in the Era of COVID-19?

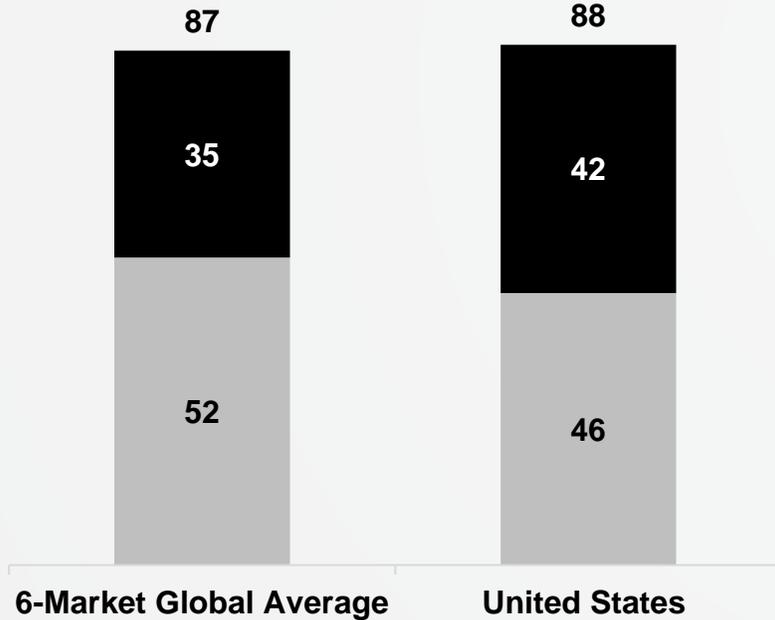
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ESG FUNDAMENTAL TO INVESTMENT DECISIONS

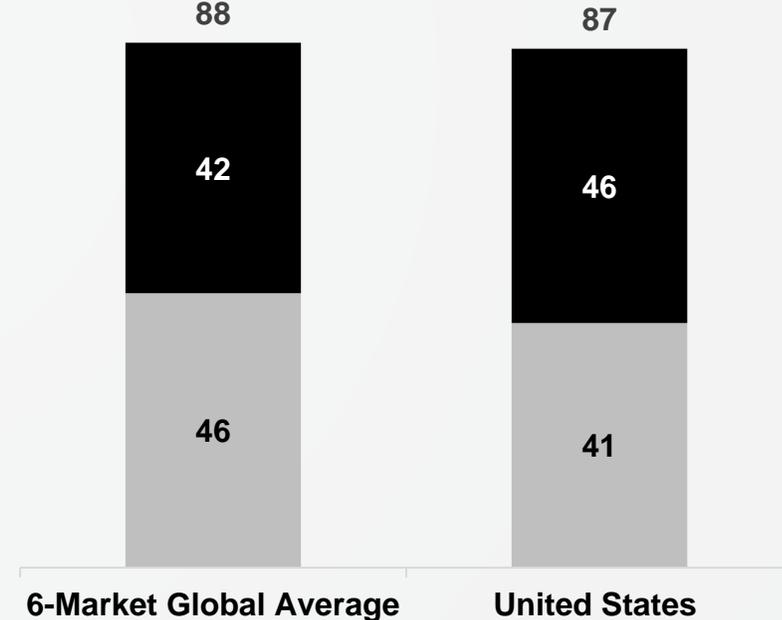
Percent who agree

■ Somewhat Agree ■ Strongly Agree

“My firm actively invests in companies that have reduced their near-term return on capital (e.g., reduced dividend, share buybacks etc.) in order to reallocate capital to ESG initiatives”



“My firm monitors specific ESG key performance indicators (KPIs such as carbon emissions reduction or diversity targets) to inform investment decisions on an ongoing basis”

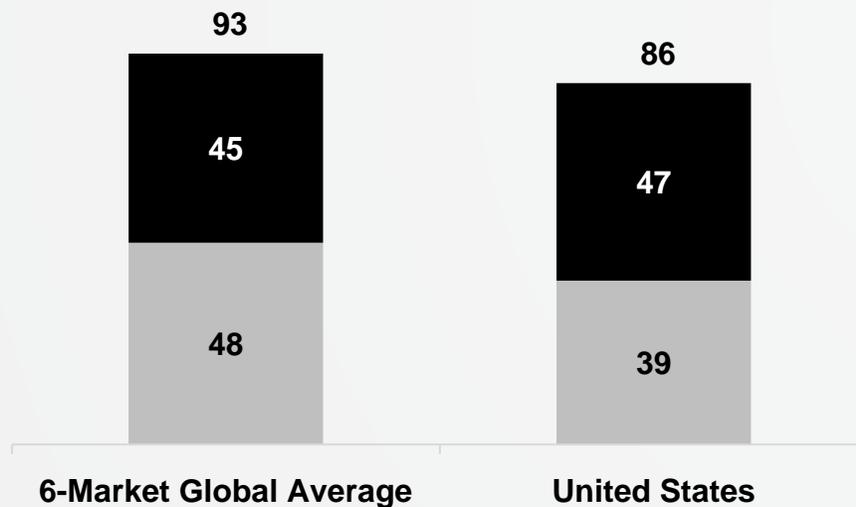


ESG TEMPORARILY DEPRIORITIZED BY INVESTORS IN THE CURRENT MARKET ENVIRONMENT

Percent who agree

■ Somewhat Agree ■ Strongly Agree

“Given the current market environment, I have changed my investment strategy relative to last year”



Given the impact of COVID-19 on the economy...

79%

Of U.S. investors say **their firm is currently deprioritizing ESG** as an investment criteria

83% of 6-Market Global Average

77%

Of U.S. investors say **the companies they invest have deprioritized ESG initiatives**

81% of 6-Market Global Average

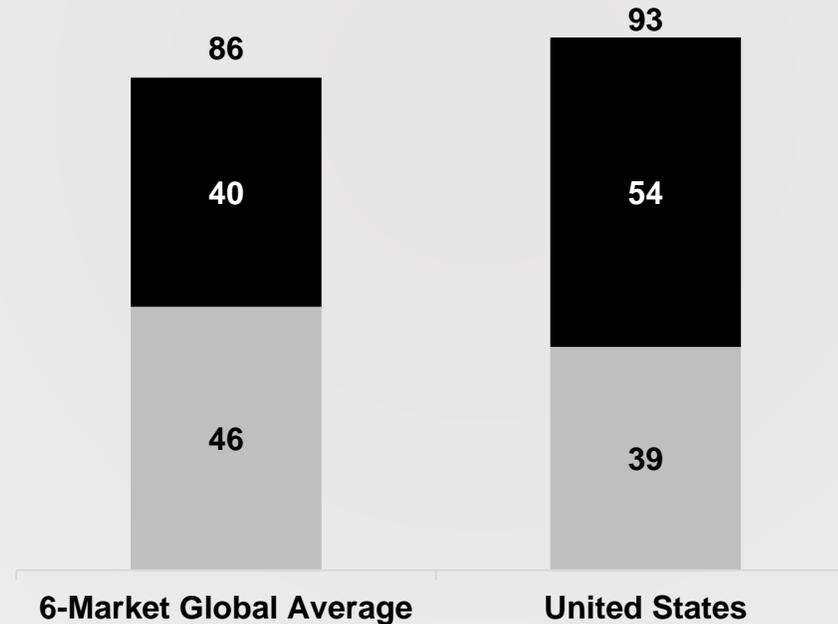
Edelman Trust Barometer Special Report: Institutional Investors
Q1. Please indicate the extent to which you agree or disagree with the following statements.
Q26: Please indicate the extent to which you agree or disagree with the following statement.
Shown T2B Agree. 6-Market Global Average n=600; United States n=100

PROFITABLE COMPANIES DO NOT GET A PASS ON ESG

Percent who agree

■ Somewhat Agree ■ Strongly Agree

“Profitable companies have a greater responsibility to address ESG issues than companies that are unprofitable/struggling”

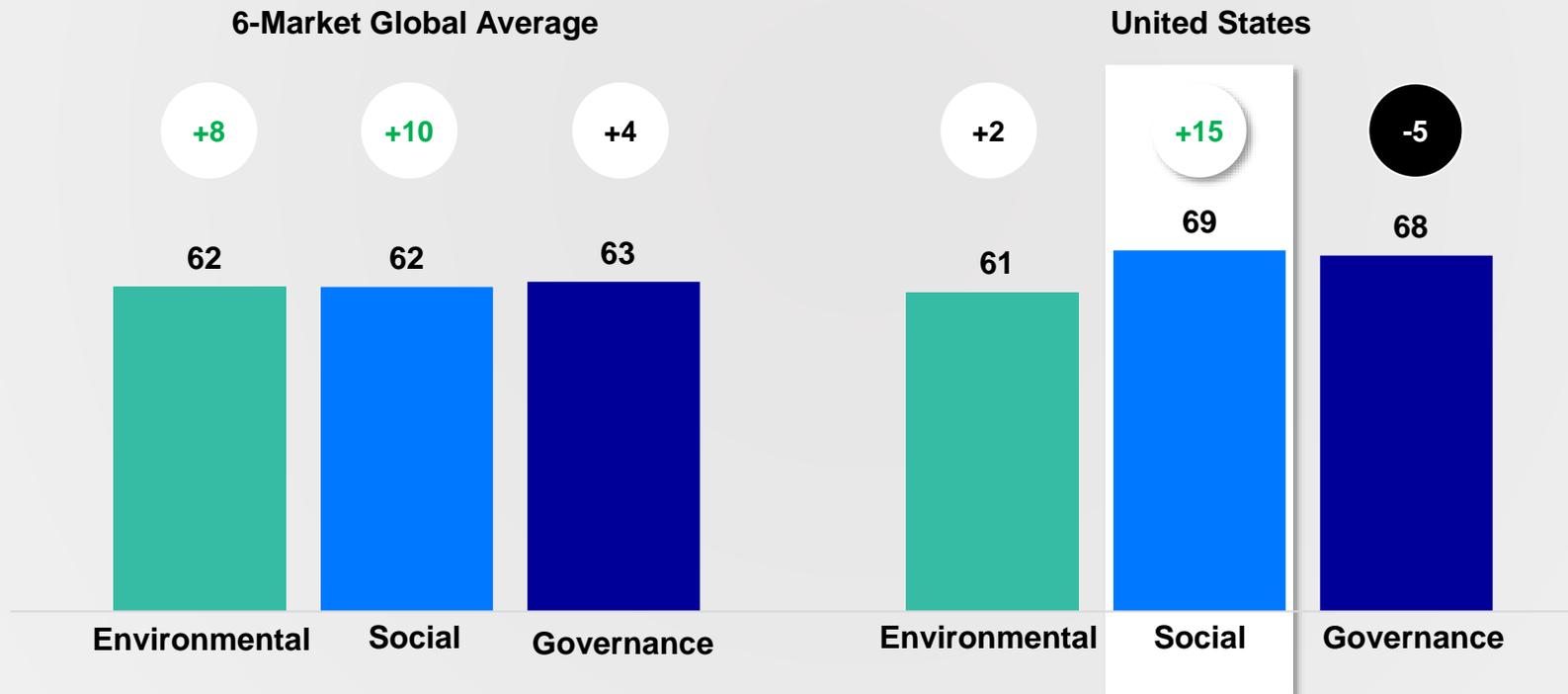


SOCIAL MATTERS MORE THAN EVER

Percent who agree each is very important

— 0 —+ Y-to-Y Change

Importance of each ESG Element



In the United States, Social increased in ranking from #3 in importance to #1

* Significant differences at the 95% confidence indicated by red or green text

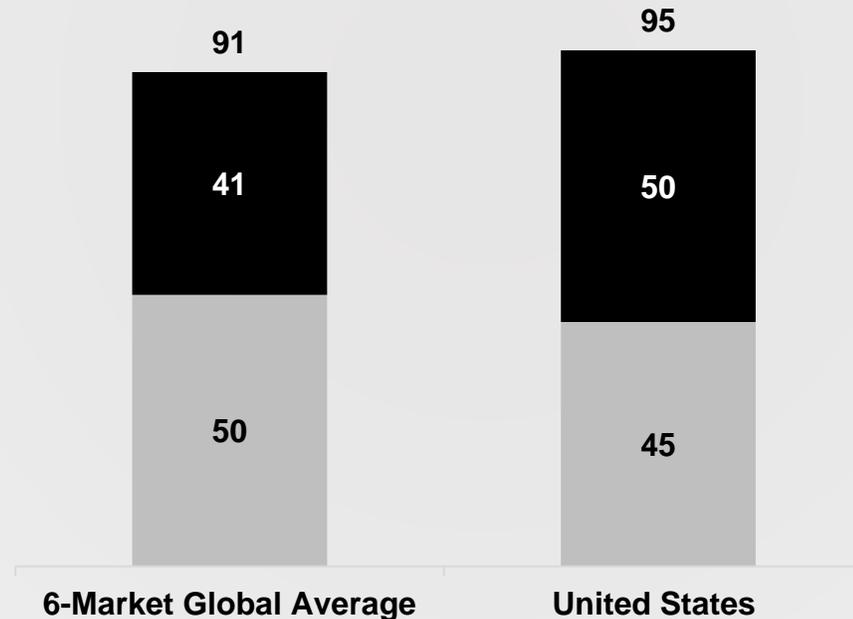
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Q10: Please select how important each of the following elements are when it comes to ESG investing. For each one, please indicate how important it is using a 9-point scale where 1 means "not at all important" and 9 means "most important." Shown T2B Important. 6-Market Global Average n=600; United States n=100

COMPANIES THAT HAVE STRONG ESG PERFORMANCE PERCEIVED AS MORE RESILIENT IN A CRISIS

Percent who agree

■ Somewhat Agree ■ Strongly Agree

“A company with strong ESG performance is more resilient in a crisis”



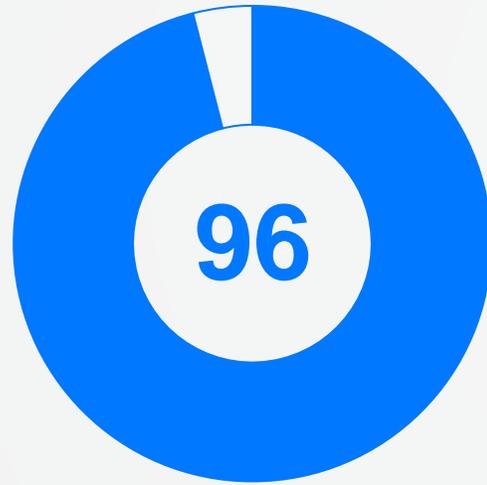
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Q14: Please indicate the extent to which you agree or disagree with the following statements regarding ESG/socially responsible investing. Shown T2B Agree. 6-Market Global Total n=600; United States n=100

AS WE RECOVER, INVESTOR FOCUS ON ESG EXPECTED TO INTENSIFY

Percent who agree among U.S. investors

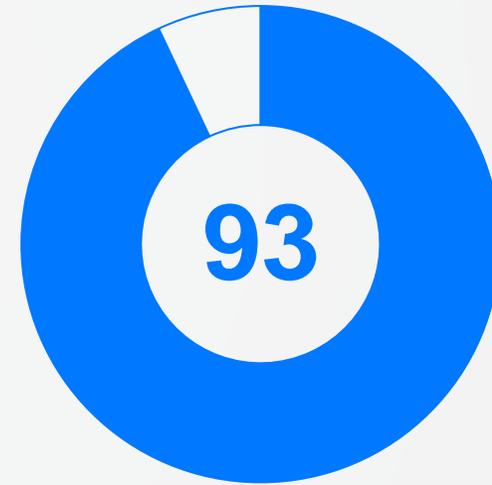
As we recover from COVID-19...



Of U.S. investors expect **their firm** to increase prioritization of ESG as an investment criteria

91% of 6-Market Global Average

&



Of U.S. investors expect **the companies** they invest in to increase their prioritization of ESG initiatives

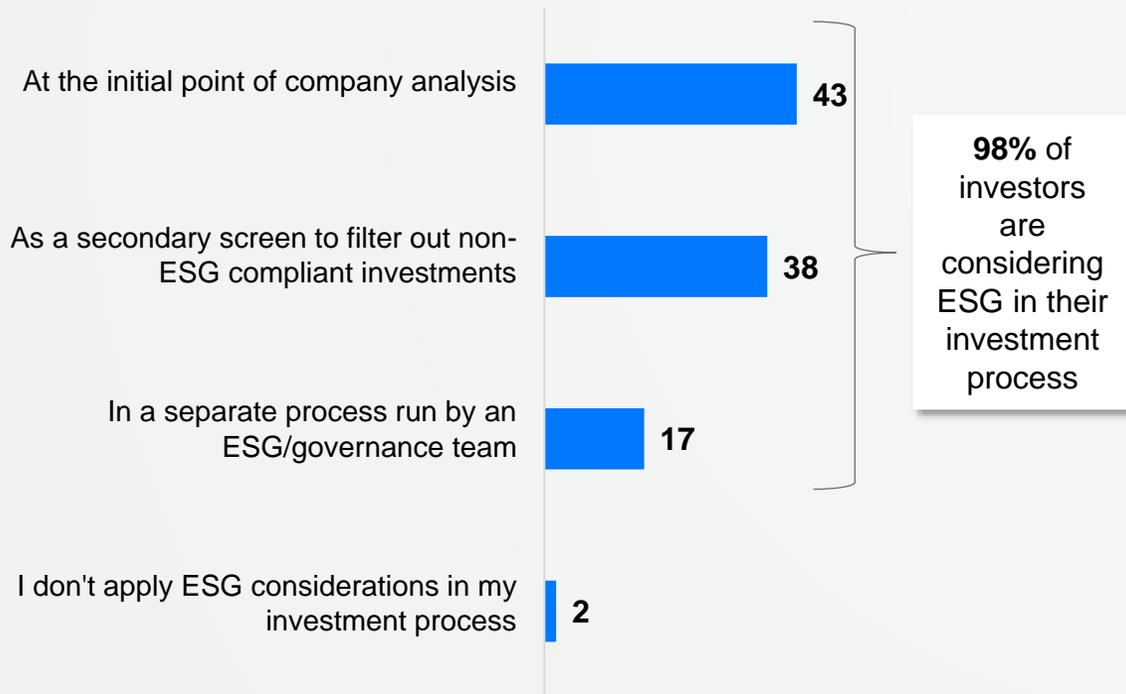
88% of 6-Market Global Average

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Q26. Please indicate the extent to which you agree or disagree with the following statements.
Shown T2B Agree. 6-Market Global Average n=600. United States n=100

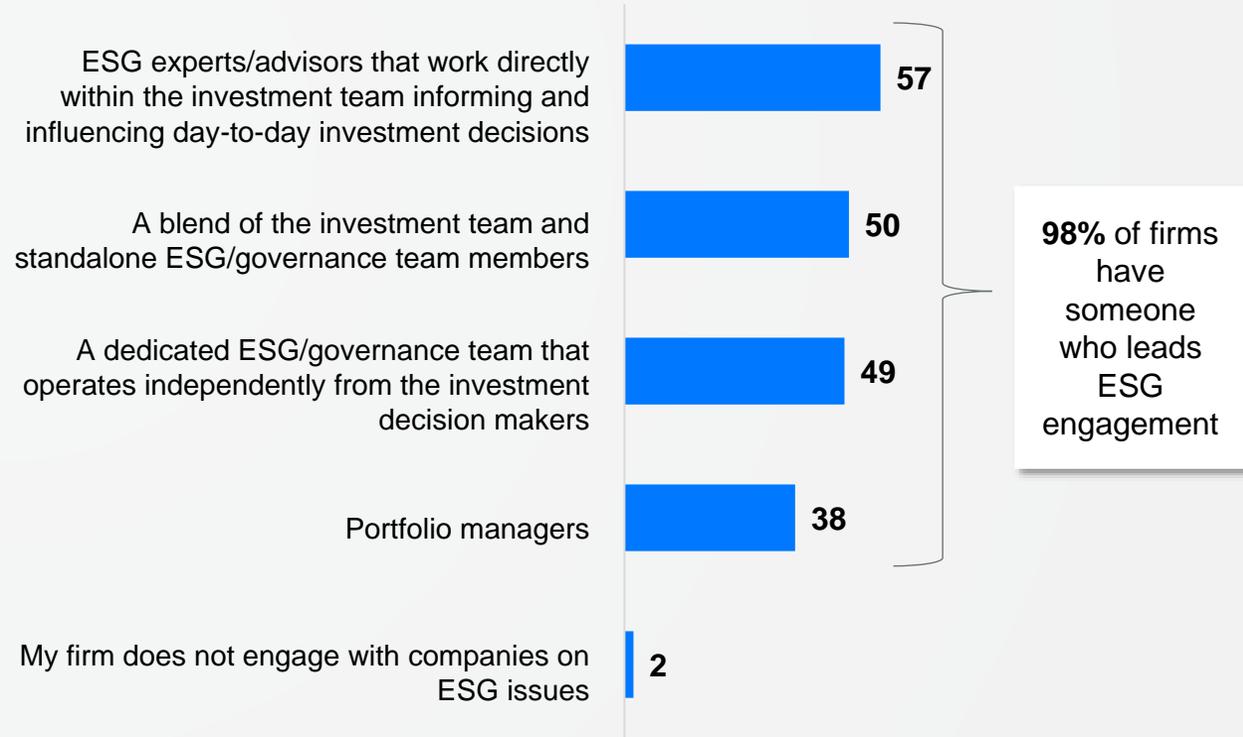
ESG INTEGRATION HAS ARRIVED

Percent who selected among U.S. investors

Point at which ESG considerations are applied in investment process



Leader of ESG engagement in the firm



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Q11: Generally, at what point, are ESG considerations applied in your investment process? Shown % Selected. United States n=100

Q17: At your firm, who leads engagement with companies we invest in on ESG issues? Shown % Selected. United States n=100

INVESTORS WANT TO HEAR MORE FROM THE HEAD OF ESG

Percent selected among U.S. investors

Company spokespeople that investors want to hear more from than they have in the past year

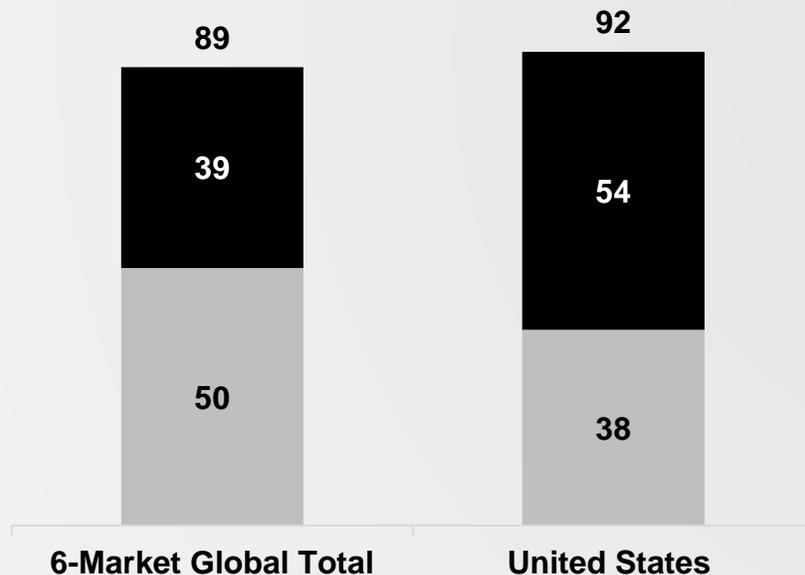


ESG-EXCELLING COMPANIES MERIT A PREMIUM

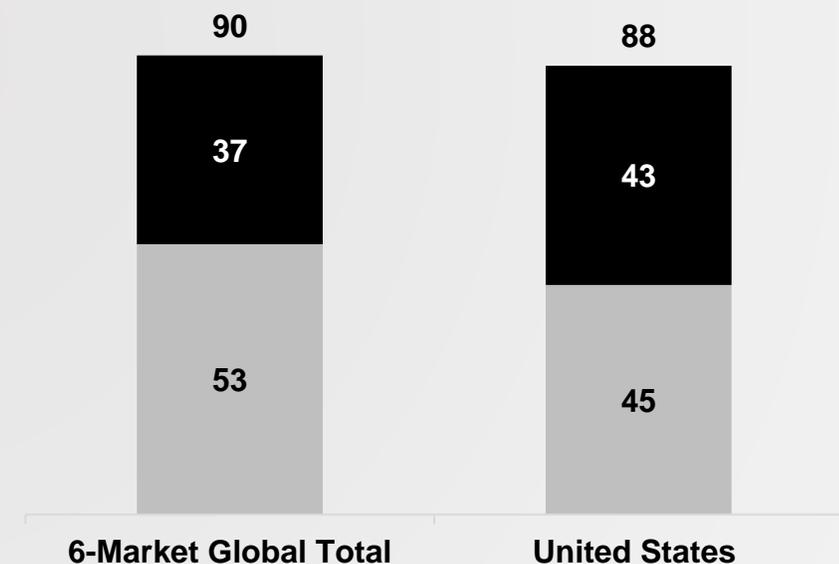
Percent who agree

■ Somewhat Agree ■ Strongly Agree

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



“Companies that prioritize ESG initiatives represent better opportunities for long-term returns than companies that do not”



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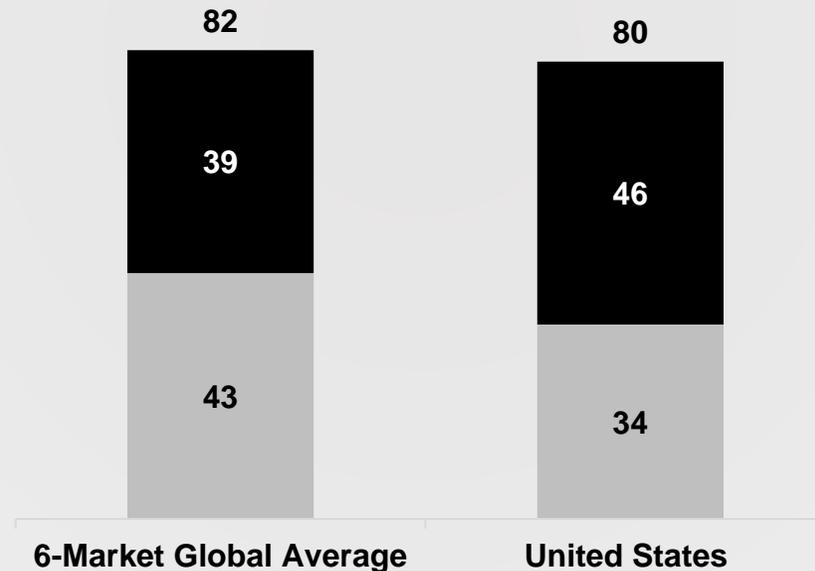
Q14: Please indicate the extent to which you agree or disagree with the following statements regarding ESG/socially responsible investing. Shown T2B Agree. 6-Market Global Total n=600; United States n=100

INSUFFICIENT ESG DISCLOSURE IS A HURDLE TO INVESTMENT

Percent who agree

■ Somewhat Agree ■ Strongly Agree

“My firm will not invest in companies with a lack of sufficient information/data on their ESG performance”



84% among the 6-Market Global Average and **79%** of U.S. investors believe that **most companies are unprepared to comply with potential ESG disclosure regulations**



Board Expected to Act

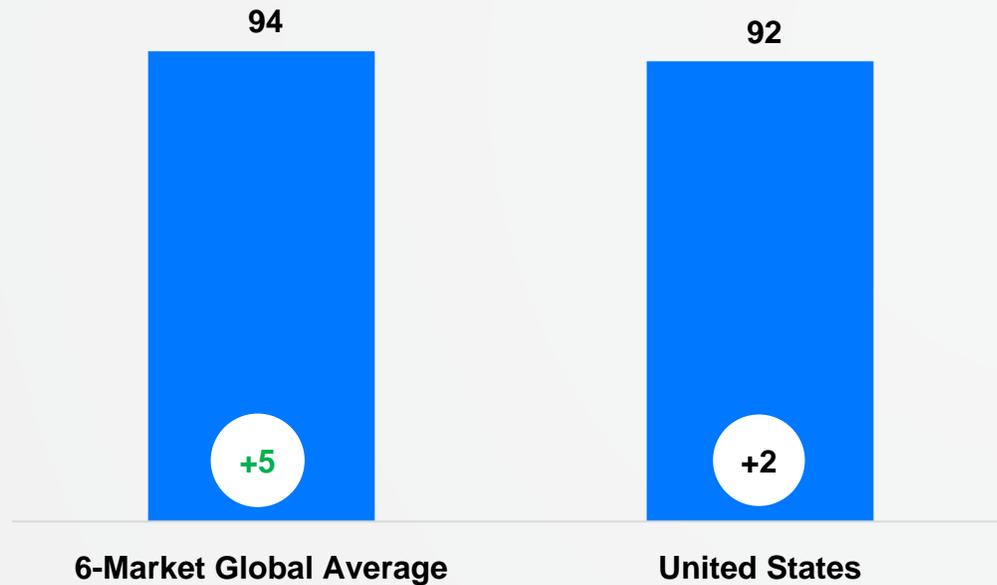
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INVESTORS NEED TO TRUST YOUR BOARD AS MUCH AS YOUR CEO

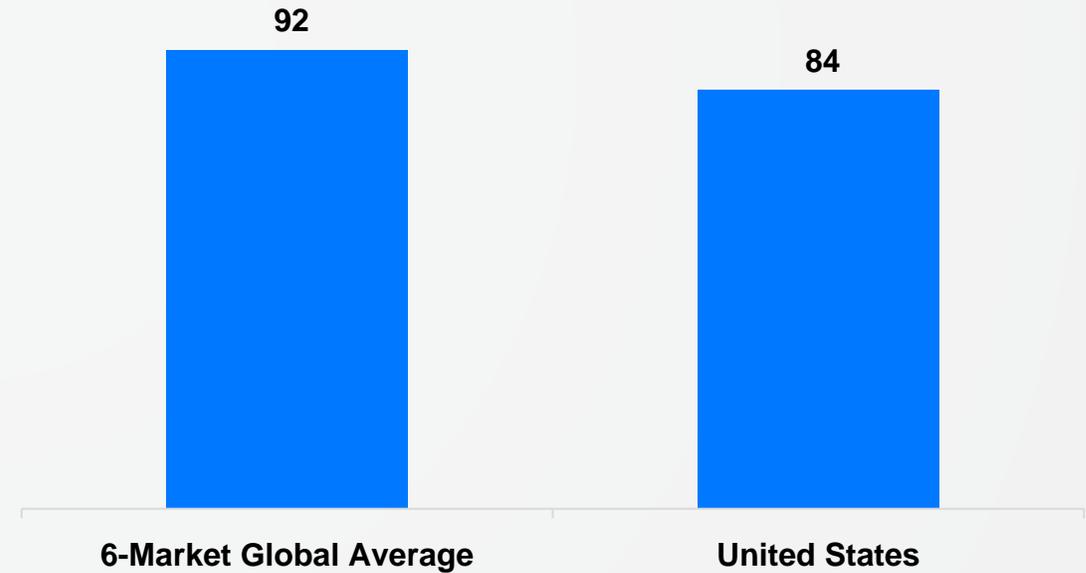
Percent who agree

— 0 — + Y-to-Y Change

“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”



* Significant differences at the 95% confidence level indicated by red or green text

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Q2. Please indicate the extent to which you agree or disagree with the following statements regarding trust.. Shown T2B Agree. 6-Market Global Average n=600; United States n=100

INVESTORS ENGAGING WITH BOARDS ON ESG ISSUES

Percent who selected among U.S. investors

Which Leaders are being Engaged on ESG by Investors



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

ESG Topic	% Selected
Employee health and safety	52
Social issues in their local community	50
Human capital management	46
Data privacy and cybersecurity	45
The impact of climate risk on the company	39
Corporate culture	38
Eco-efficiency of the company's operations	36
Diversity and inclusion	35
Supply chain environmental and social risk	30
Resource scarcity	30

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Q16. Which leaders within a company, if any, do you engage with on ESG issues? Shown % Selected. United States n=100

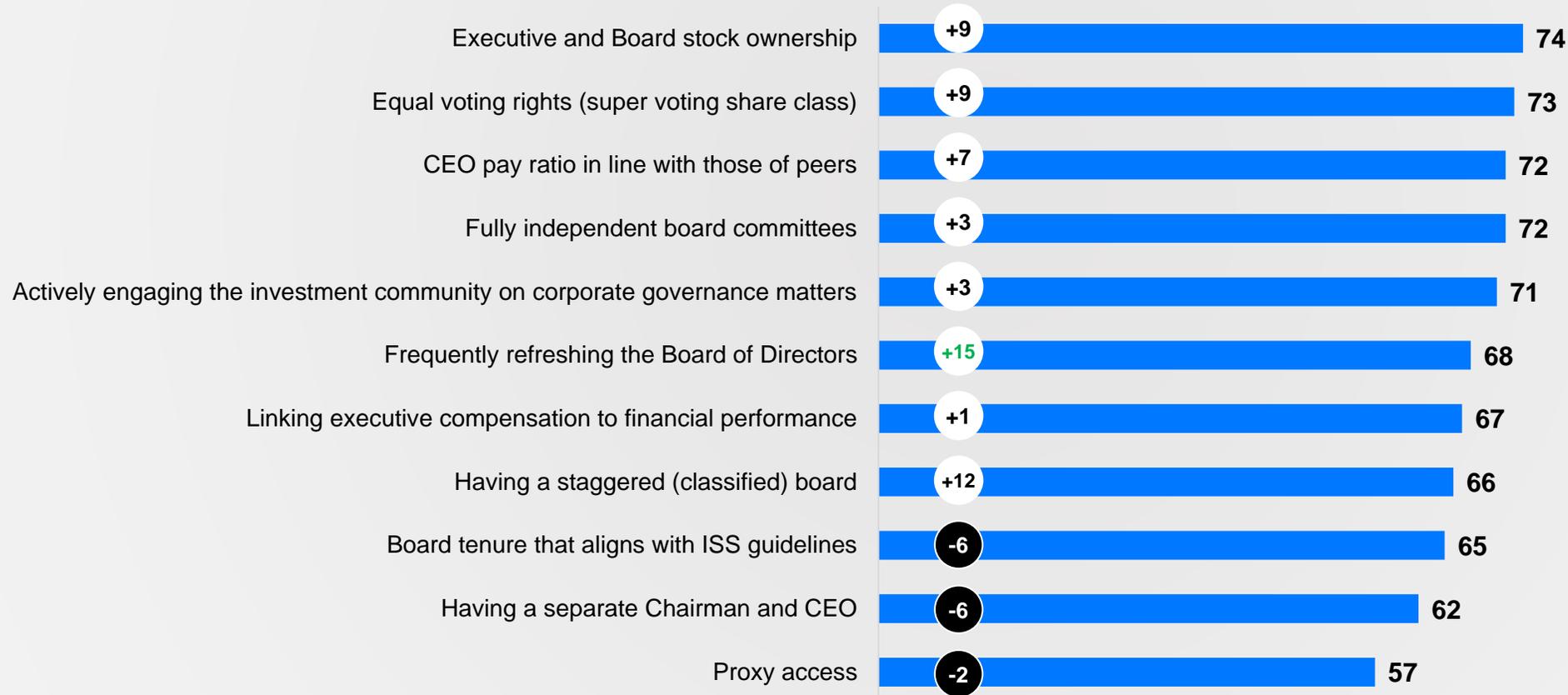
Q18. Which of the following ESG topics, if any, do you expect boards of directors to oversee? Shown % Selected. United States n=100

ALIGNMENT OF INTERESTS BETWEEN EXECUTIVES AND INVESTORS DRIVES LONG-TERM TRUST

Percent who say each impacts trust in a company a great deal among U.S. investors

Corporate Governance Practices

— 0 — + Y-to-Y Change



* Significant differences at the 95% confidence level indicated by red or green text

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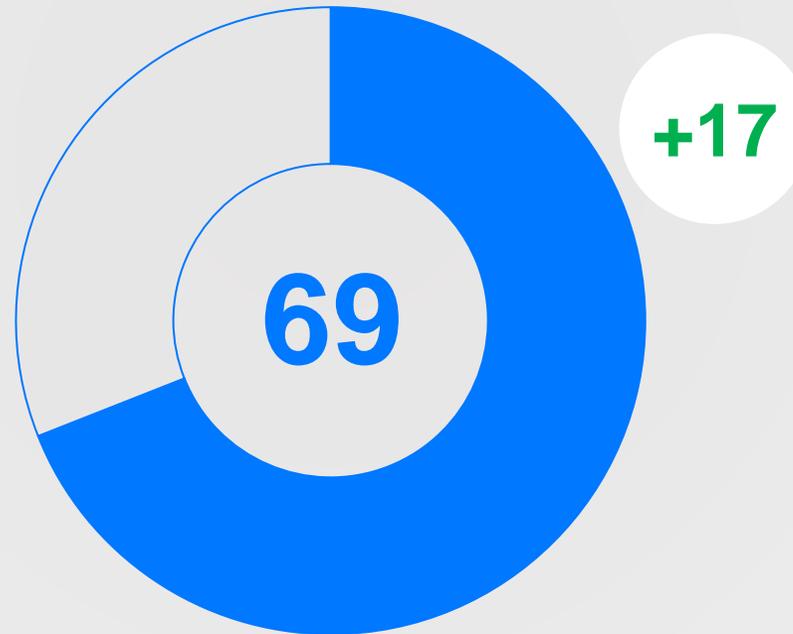
Q5: How much does each of the following corporate governance practices positively impact your trust in a company that you are/may consider investing in or recommending? For each one, please indicate the level of impact using a 9-point scale where 1 means "no positive impact on trust" and 9 means "a great deal of positive impact on trust." Shown T2B Trust. United States n=100

MORE INVESTORS WANT EXECUTIVE PAY TIED TO ESG

Percent who say it impacts trust in a company a great deal among U.S. investors

— 0 — + Y-to-Y Change

“Linking executive compensation to ESG target performance”



* Significant differences at the 95% confidence level indicated by red or green text

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Climate Change on Investor Agenda

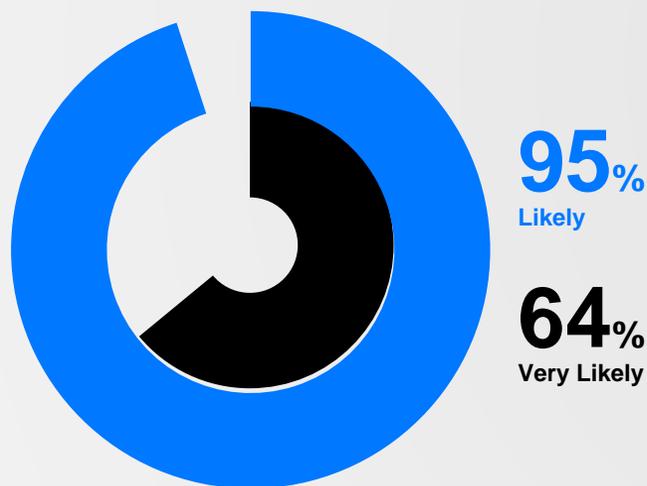
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INVESTORS PLAN TO ACCELERATE ENGAGEMENT ON CLIMATE RISKS IN THE NEXT SIX MONTHS

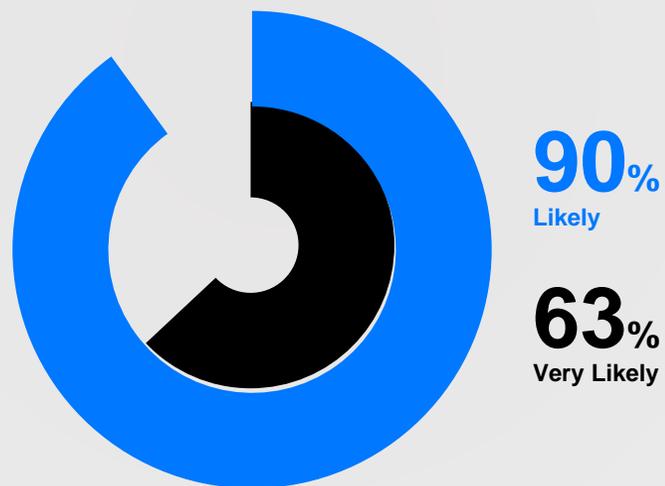
Percent selected among U.S. investors

Likelihood of Investor Engagement on Environmental Topics

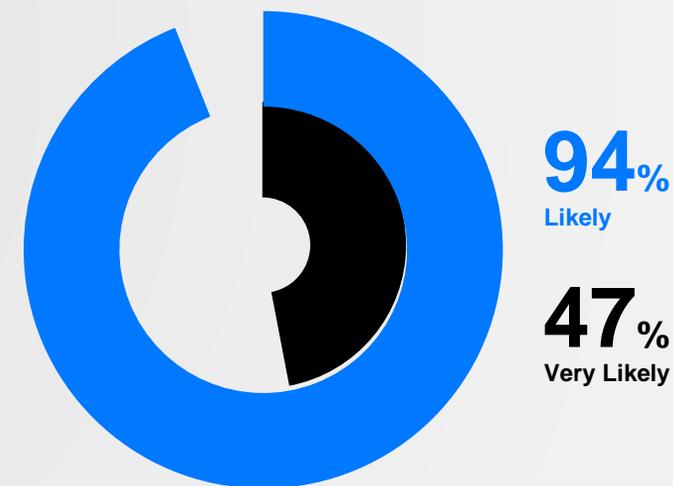
The Impact of Climate Risk on the Company



Resource Scarcity



Eco-efficiency of the Company's Operations



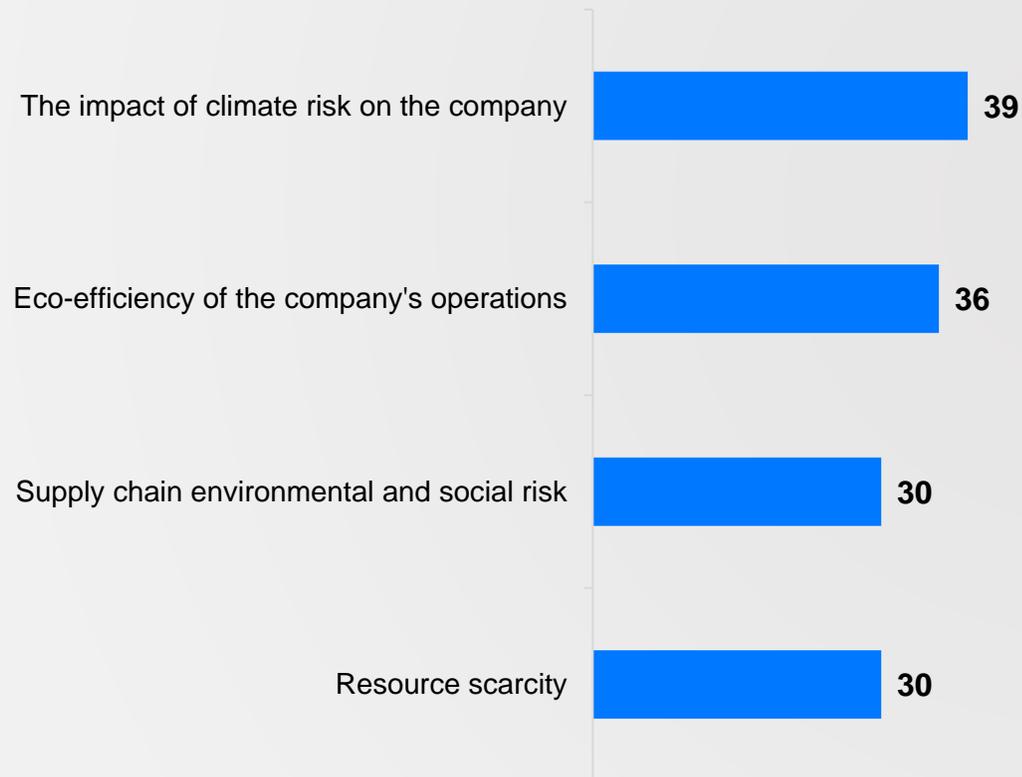
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Q19. How likely are you to engage with the boards of companies you invest in on any of these ESG topics within the next six months? For each one, please indicate how likely you are using a 5-point scale where 1 means "not at all likely" and 5 means "very likely." Shown T2B Likely. United States n=100

BOARDS EXPECTED TO OVERSEE ENVIRONMENTAL RISK

Percent who selected among U.S. investors

Expectations of ESG Oversight from the Board of Directors



7 in 10
Investors expect the Board to oversee
at least one environmental issue (72%)



Greater Attention on Social Action

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INVESTORS TRUST COMPANIES THAT TREAT THEIR PEOPLE WELL

Percent who say each impacts trust in a company a great deal among U.S. investors

● 0 ● + Y-to-Y Change

Corporate Behavioral Practices – Human Capital



* Significant differences at the 95% confidence level indicated by red or green text

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Q4: 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?

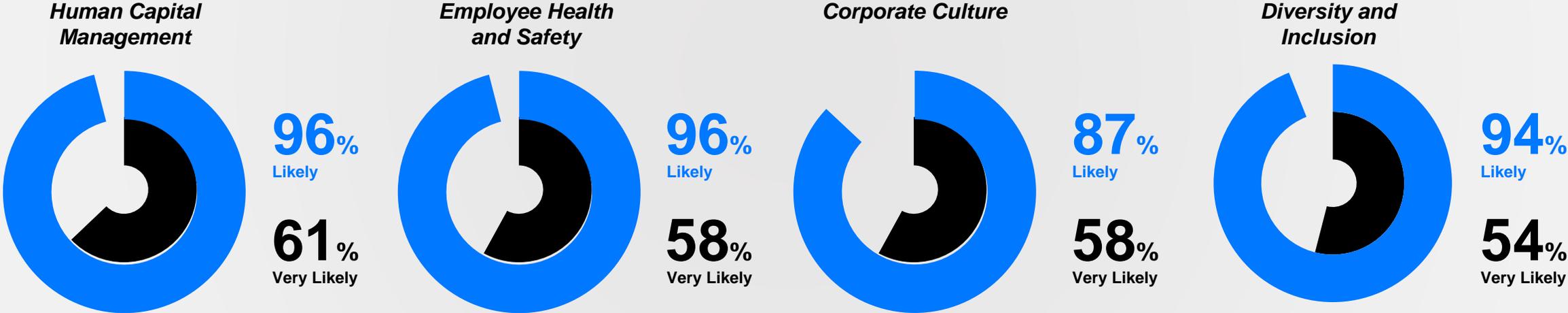
For each one, please indicate the level of impact using a 9-point scale where 1 means "no positive impact on trust" and 9 means "a great deal of positive impact on trust."

Shown T2B Trust. United States n=100

INVESTORS ENGAGING WITH BOARDS ON WORKPLACE CULTURE

Percent selected among U.S. investors

Likelihood of Investor Engagement on Management Topics Within the Next 6 Months



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Q19. How likely are you to engage with the boards of companies you invest in on any of these ESG topics within the next six months? For each one, please indicate how likely you are using a 5-point scale where 1 means "not at all likely" and 5 means "very likely." Shown T2B Likely. United States n=100

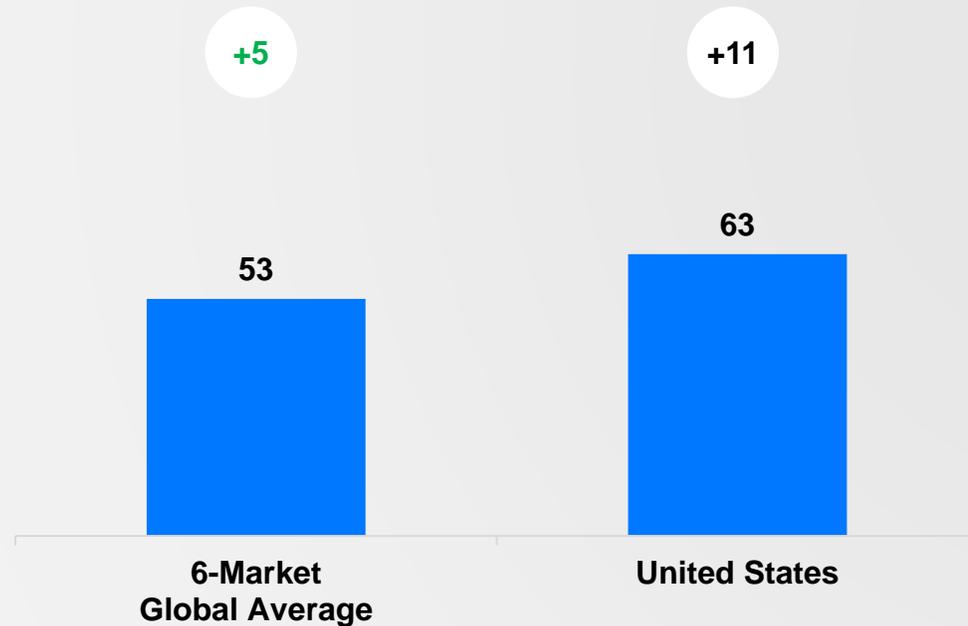
D&I DISCLOSURES IMPACT TRUST AND SHARE PRICE

Percent who selected

■ Somewhat Agree ■ Strongly Agree

⊖ 0 ⊕ Y-to-Y Change

Disclosing employee diversity and inclusion statistics impacts trust in a company a great deal



“Strong diversity & inclusion metrics have a positive impact on a company’s share price”



* Significant differences at the 95% confidence level indicated by red or green text

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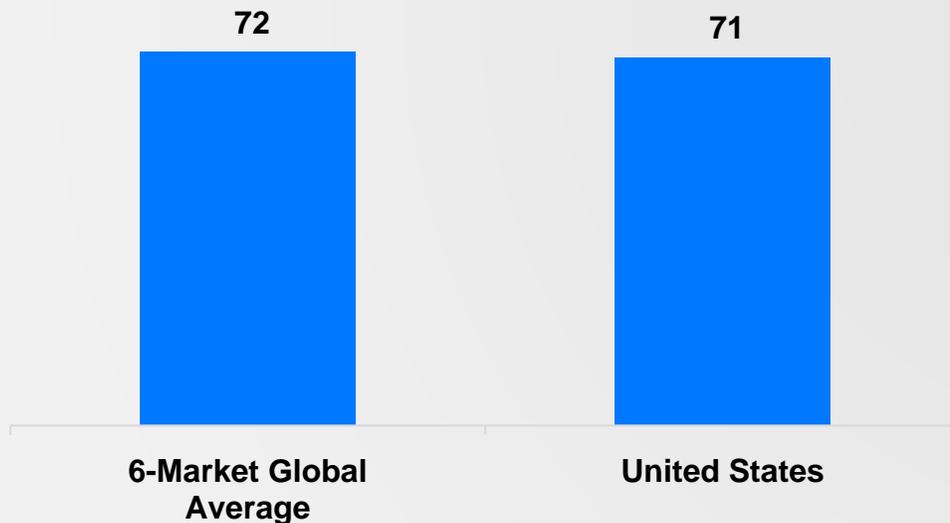
Q4: How much do each of the following corporate behavioral practices positively impact your trust in a company that you are/may consider investing in or recommending? For each one, please indicate the level of impact using a 9-point scale where 1 means “no positive impact on trust” and 9 means “a great deal of positive impact on trust.”

Shown T2B Trust. Q14: Please indicate the extent to which you agree or disagree with the following statements regarding ESG/socially responsible investing. 6-Market Global Average n=600; United States n=100

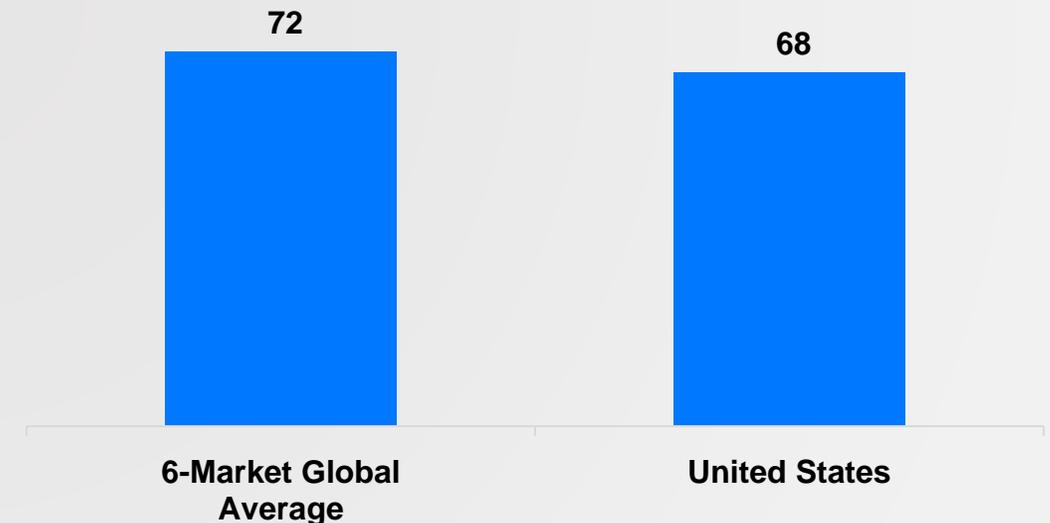
7 IN 10 FIRMS SCREEN FOR D&I METRICS

Percent who selected “Yes”

Does your firm apply exclusionary screening based on Diversity & Inclusion (D&I) metrics?



Have you started to put portfolio investments that do not meet your Diversity & Inclusion (D&I) thresholds on watch-lists?



MORE INVESTORS VALUE DIVERSE BOARDS

Percent who say diversity within a Board impacts trust in a company a great deal

— 0 — Y-to-Y Change

Diversity within a company’s Board of Directors and executive team



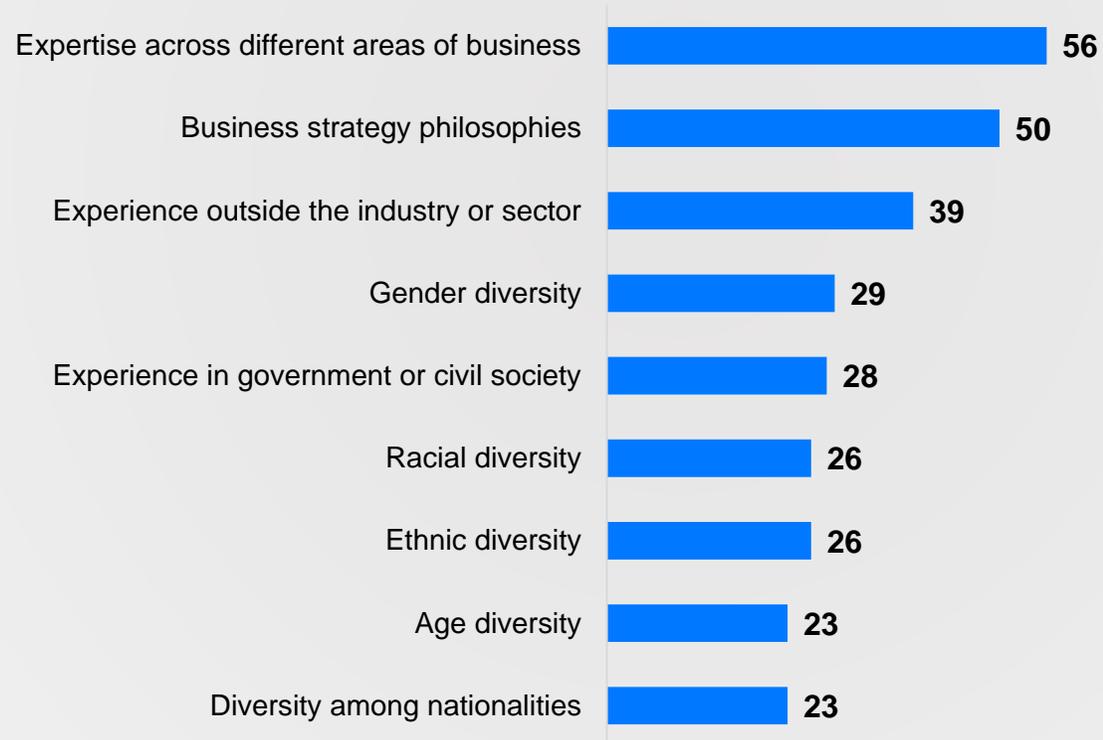
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Edelman Trust Barometer Special Report: Institutional Investors
Q5: How much does each of the following corporate governance practices positively impact your trust in a company that you are/may consider investing in or recommending? Shown T2B Trust. ; 6-Market Global Average n=600; United States n=100

DIVERSITY OF EXPERTISE GENERATES TRUST

Percent ranked top 3 that selected “diversity within a company’s Board has a significant impact on trust” among U.S. investors

Most Important Types of Board Diversity to Build Trust



Shareholder Activism is Inescapable

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ACTIVISM CONDONED IN THE CURRENT MARKET ENVIRONMENT AND SET TO INCREASE AS WE RECOVER FROM COVID-19

Percent who agree among U.S. investors

9 in 10

U.S. Investors agree...

“It is okay for activist investors to initiate a public campaign during the current market environment”

AND,

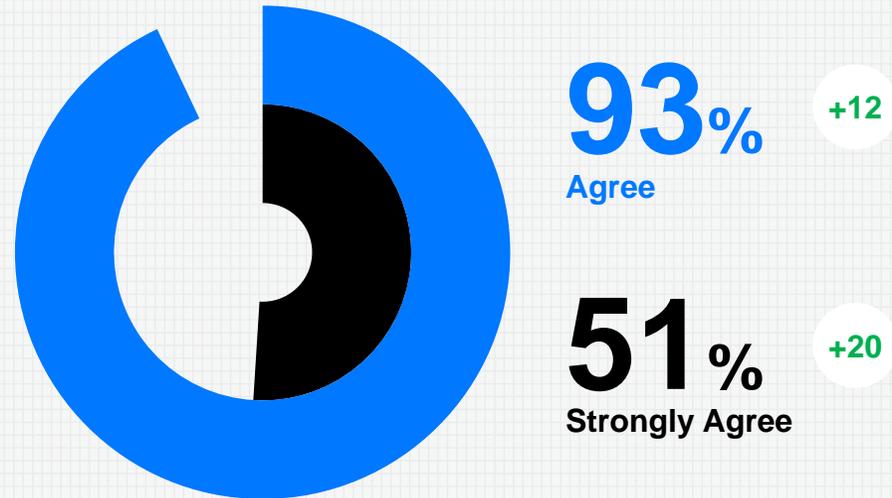
“As we recover from the pandemic, there will be an increase in shareholder activism”

SHARP INCREASE IN INVESTORS INTERESTED IN TAKING AN ACTIVIST APPROACH; COMPANIES STILL NOT PREPARED

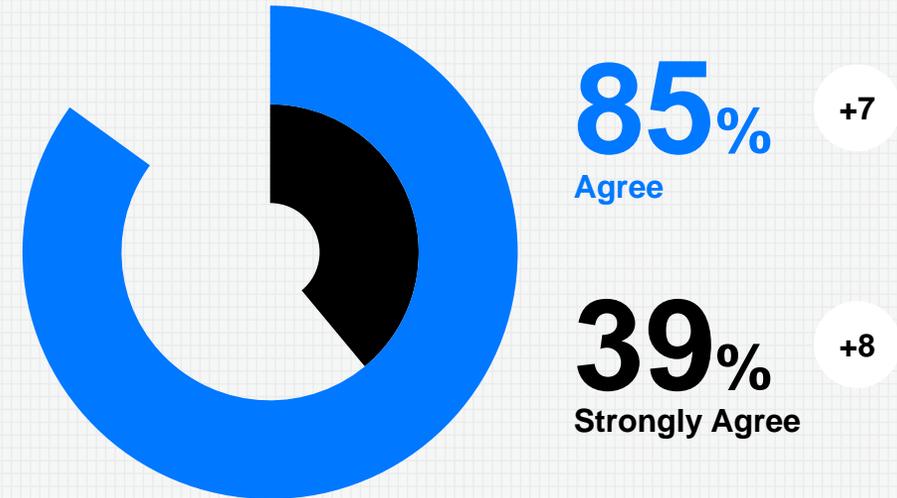
Percent selected among U.S. investors

● 0 ● Y-to-Y Change

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



“Most companies are not prepared to handle activist campaigns”



* Significant differences at the 95% confidence level indicated by red or green text

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Q7: Please indicate the extent to which you disagree or agree with the following statements regarding shareholder activism. Shown T2B Agree. United States n=100



Investors Believe in the Multi-Stakeholder Model

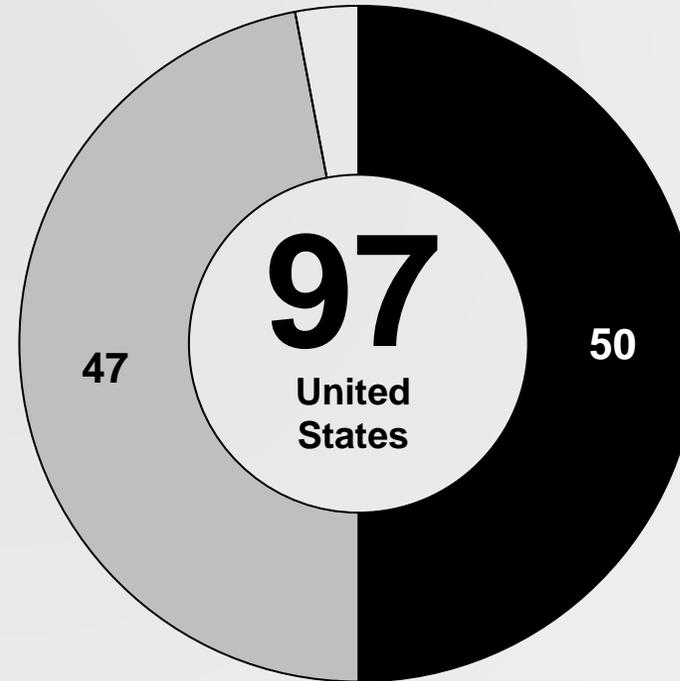
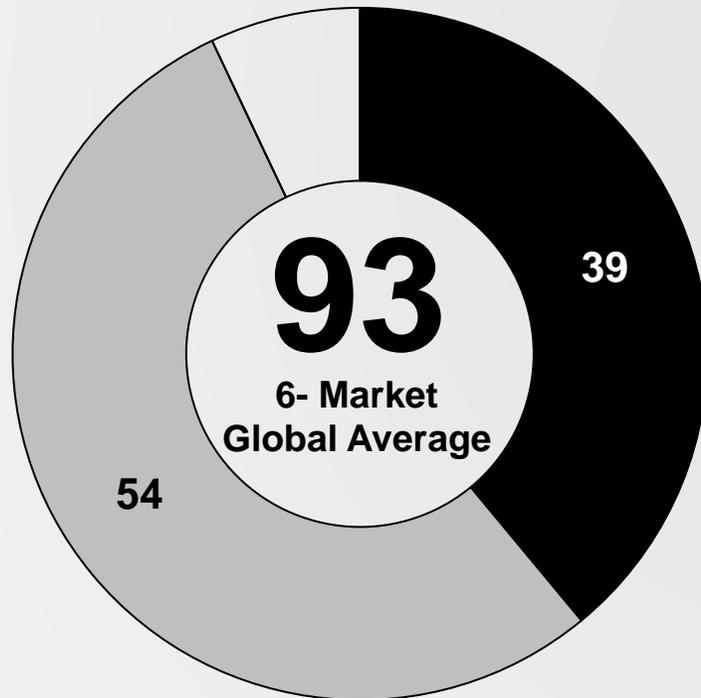
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INVESTORS AGREE MULTI-STAKEHOLDER APPROACH DELIVERS GREATER RETURNS

Percent who agree

■ Somewhat Agree ■ Strongly Agree

“The multi-stakeholder model of governance is more conducive to delivering long-term financial returns than other models ”



CUSTOMERS ARE TOP PRIORITY AMIDST EXPECTATIONS FOR MULTI-STAKEHOLDER COMMITMENTS

Percent who ranked actions as the top priority out of five possible actions

■ 6-Market Global Average ■ United States

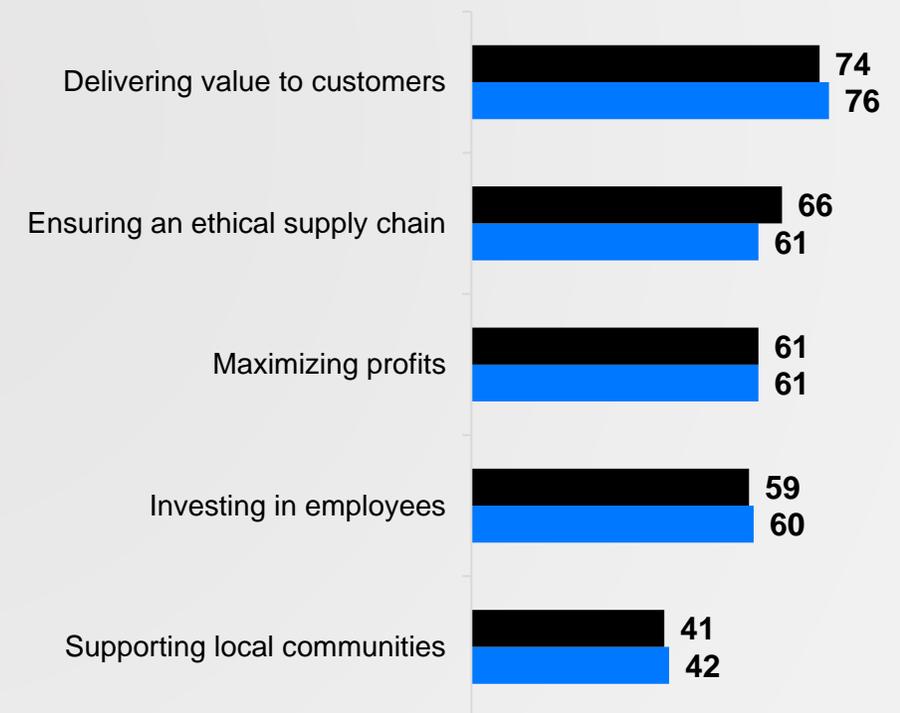
Actions Companies Should Prioritize to Increase Investment Likelihood

Top 1



Actions Companies Should Prioritize to Increase Investment Likelihood

Top 3



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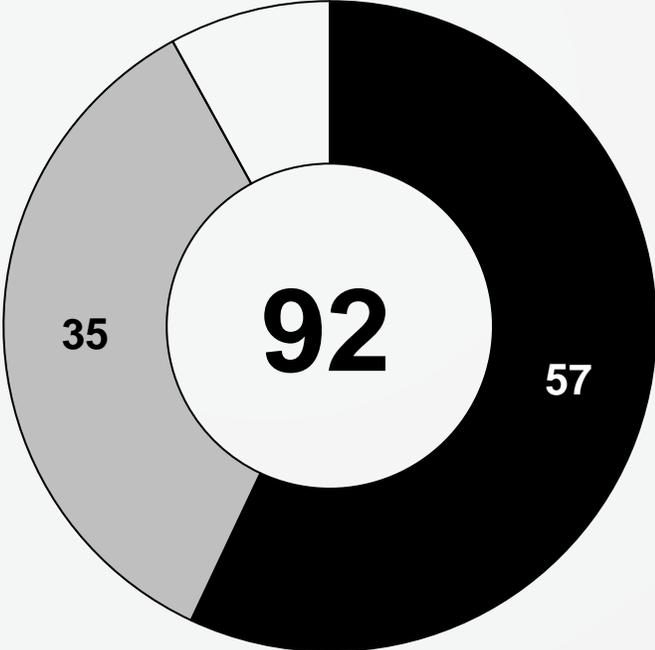
Q13: Below is a list of actions that companies could prioritize. If a company wanted to increase your likelihood to invest in them, how should they prioritize these actions over the next five years? United States n=100

9 IN 10 INVESTORS BELIEVE BUSINESS MUST LEAD ON POSITIVE SOCIETAL CHANGE

Percent who agree among U.S. investors

■ Somewhat Agree ■ Strongly Agree

“Business leaders have an obligation to use their power and influence to advocate for positive change in society”



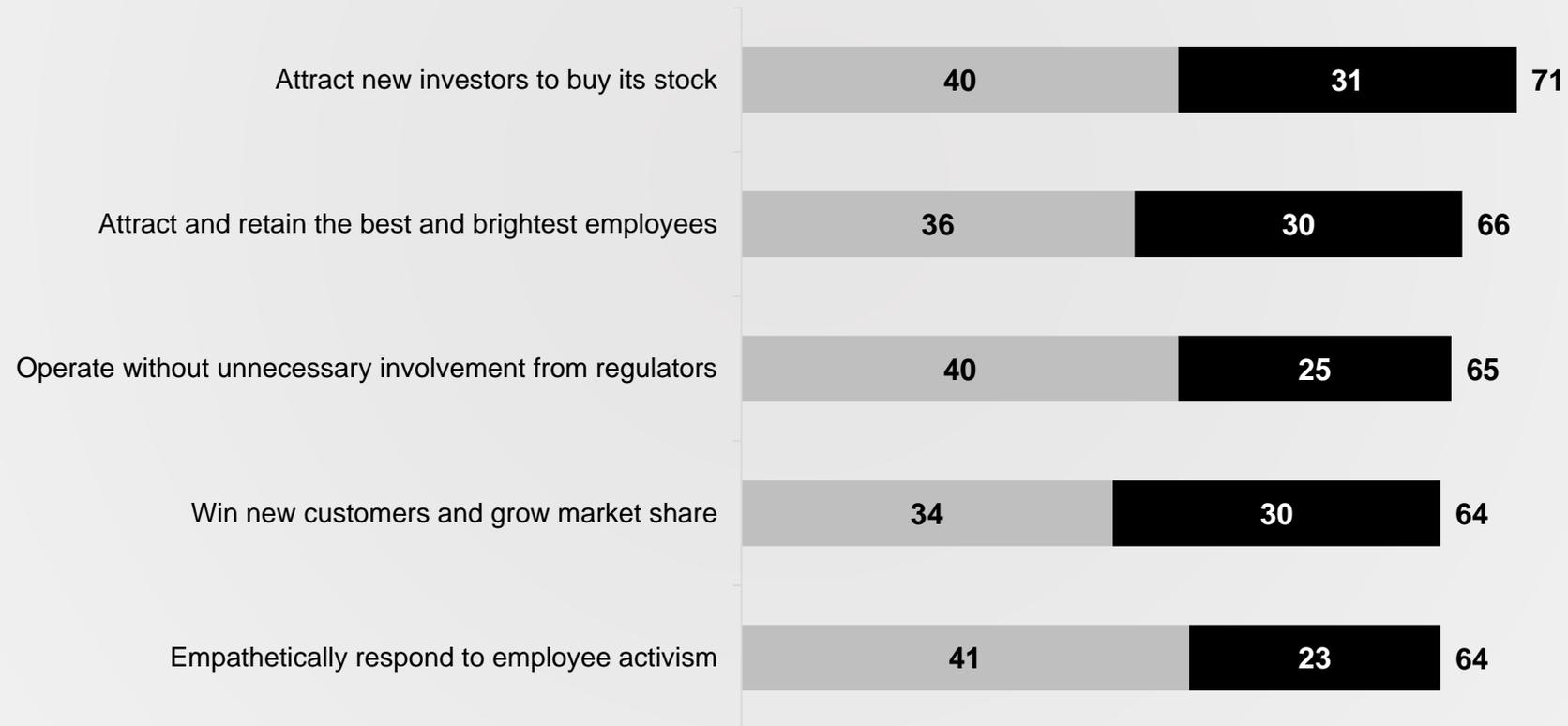
Edelman Trust Barometer Special Report: Institutional Investors
US4. Please indicate the extent to which you agree or disagree with the following statements. Shown T2B. United States n=100

TRUST WILL ENABLE COMPANIES TO MEET MULTI-STAKEHOLDER EXPECTATIONS

Percent who selected among U.S. investors

■ Important Summary ■ Critically Important Summary

Importance of having a high level of trust for a company to be able to...



INVESTORS SAY TRUST IS ESSENTIAL TO MANAGE A CRISIS

Percent who selected important or critically important among U.S. investors

76%

Of U.S. investors believe it is *important* for a company to have a high level of trust to...

Manage effectively through a crisis

AND,

Nimbly pivot business strategy in response to rapidly evolving marketplace conditions

ENSURING INVESTOR TRUST BEYOND THE PANDEMIC

1.

Tie stakeholder concerns into ESG and strategy development

2.

Treat ESG commitments as you would financial commitments

3.

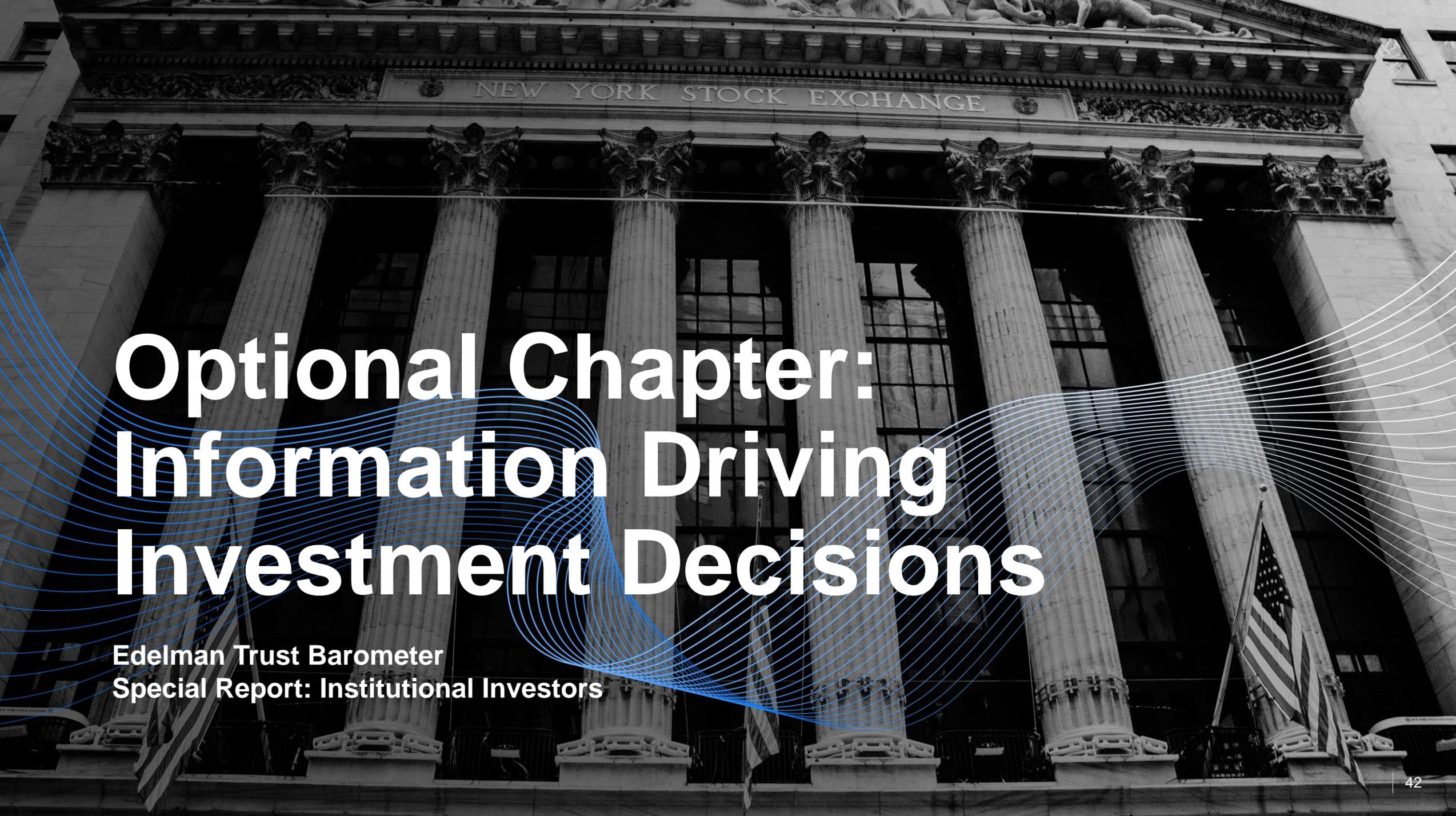
Plan for multi-stakeholder engagement and activism

4.

Rebuild your investor communications to meet elevated expectations

5.

Prepare Board to play an active role in building trust with investors and stakeholders

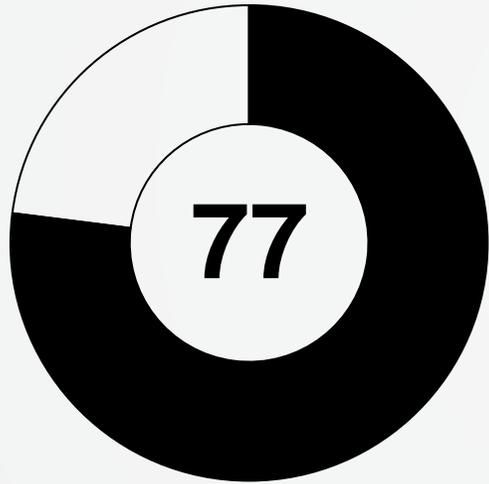


Optional Chapter: Information Driving Investment Decisions

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CLARITY OF YOUR MISSION AND PURPOSE BUILDS INVESTOR TRUST

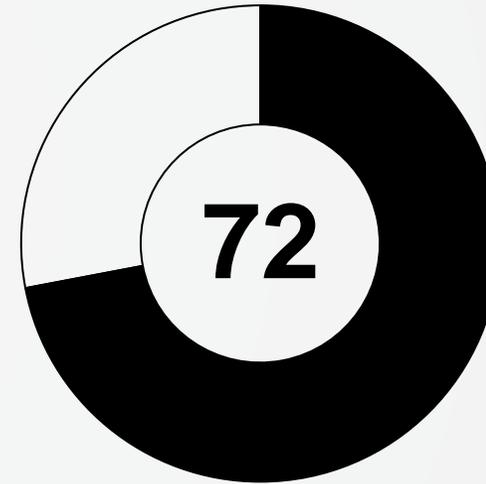
Percent who say each impacts trust in a company a great deal among U.S. investors



Clearly articulating the **company's mission and executing on that mission**

55% of 6-Market Global Average

&



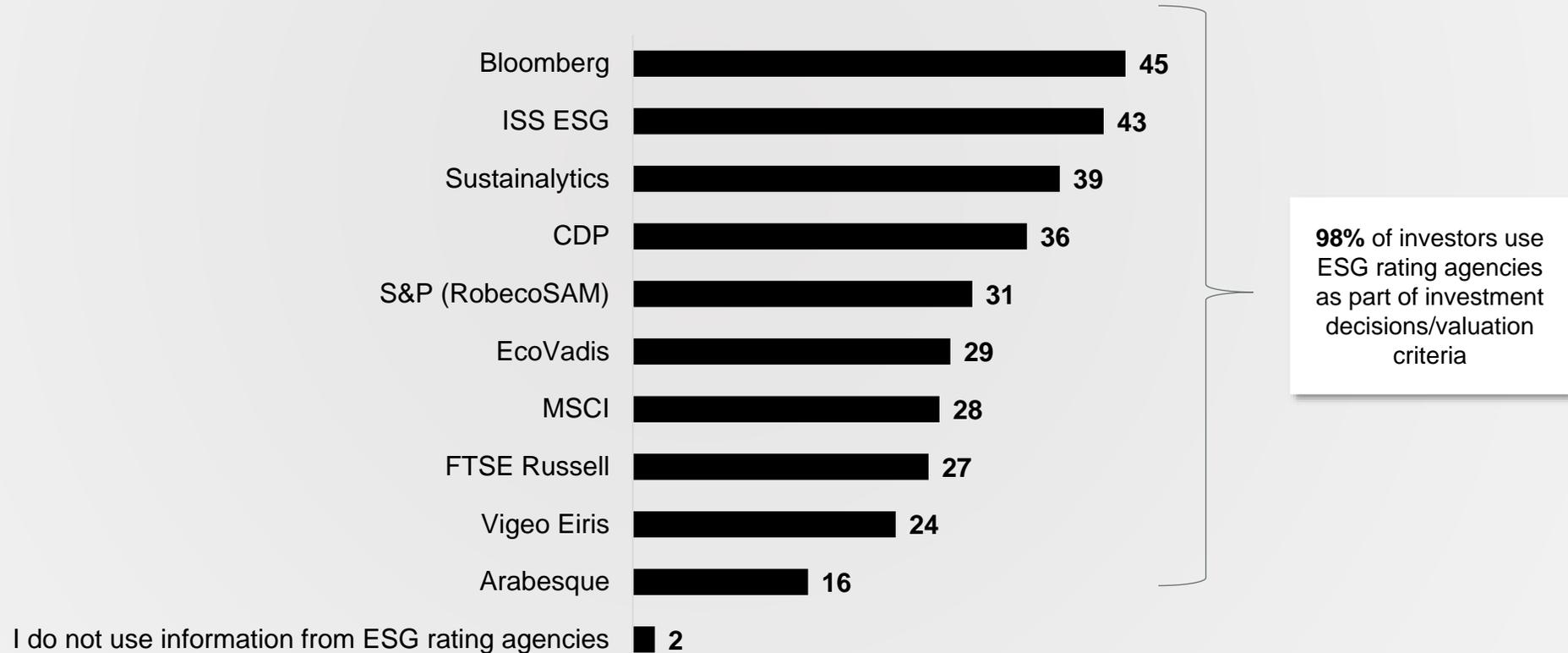
Sharing a **clearly defined vision for how the company will positively impact society**

56% of 6-Market Global Average

NEARLY ALL INVESTORS USE ESG RATING AGENCIES TO INFORM INVESTMENT DECISIONS

Percent selected among U.S. investors

ESG Ratings Agencies Used in Investment Decisions

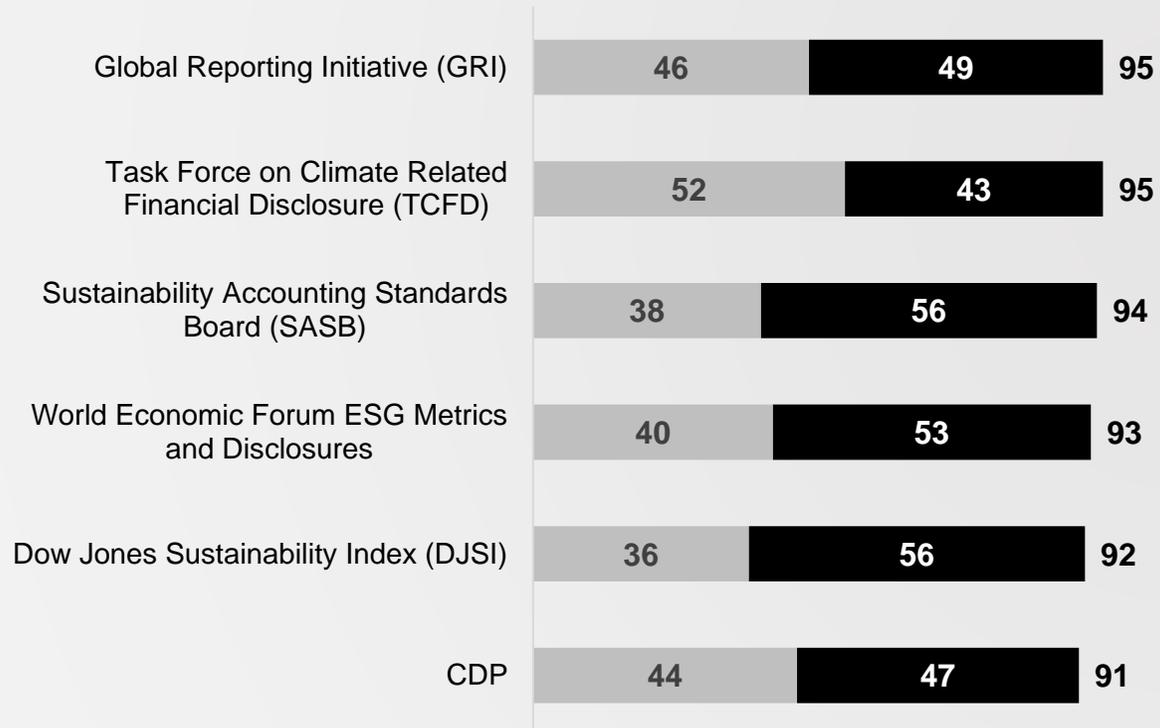


INVESTORS RELY ON MULTIPLE DISCLOSURE FRAMEWORKS, BUT COMPANIES DON'T HAVE THE DATA AVAILABLE

■ Somewhat Useful ■ Very Useful

Usefulness of ESG Disclosure Frameworks

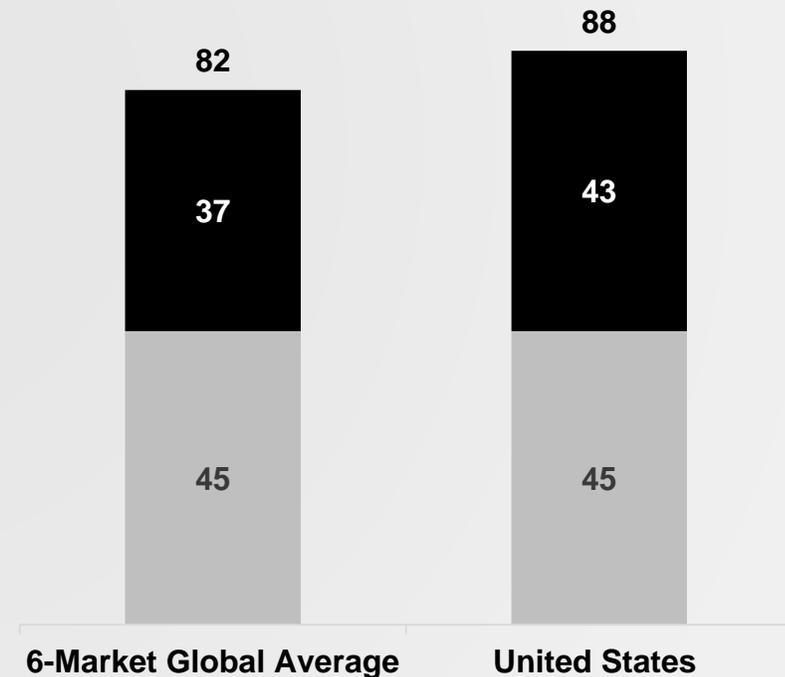
Percent who believe the ESG disclosure frameworks are useful among U.S. investors



■ Somewhat Agree ■ Strongly Agree

“Most companies do not have the data available to disclose against sustainable reporting frameworks”

Percent who agree



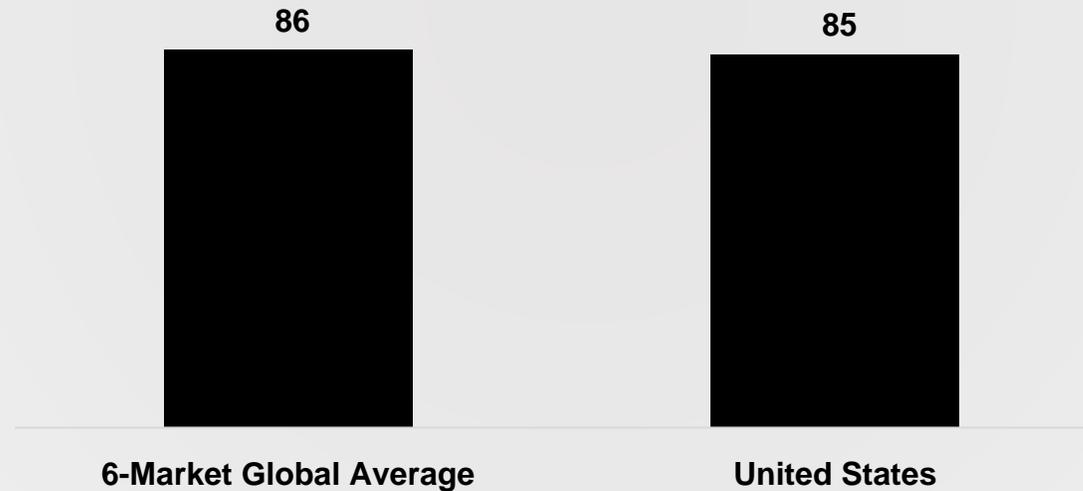
Edelman Trust Barometer Special Report: Institutional Investors

Q22: Using the scale below, please rate how useful you believe each of the following ESG disclosure frameworks are. For each one, please indicate how useful each framework is using a 4-point scale where 1 means “not at all useful” and 4 means “very useful.” Shown T2B Useful. United States n=100 Q14: Please indicate the extent to which you agree or disagree with the following statements regarding ESG/socially responsible investing. Shown T2B Agree. 6-Market Global Average n=600; United States n=100

INVESTORS CONSIDER ESG RISKS ACROSS A COMPANY'S FULL VALUE CHAIN

Percent who responded "Yes"

"When evaluating a potential investment, I consider ESG risks across a company's full value chain (including, for example, upstream supply chain and downstream consumer use issues)"

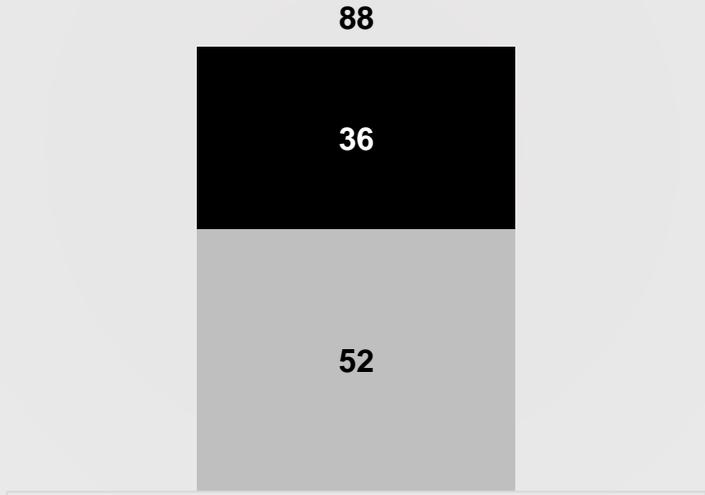


9 IN 10 INVESTORS USE PROXY ADVISORS

Percent who agree among U.S. investors

■ Somewhat Agree ■ Strongly Agree

Perceptions of Shareholder Activism



I incorporate the recommendations of proxy advisors such as ISS and Glass Lewis in my proxy voting decisions

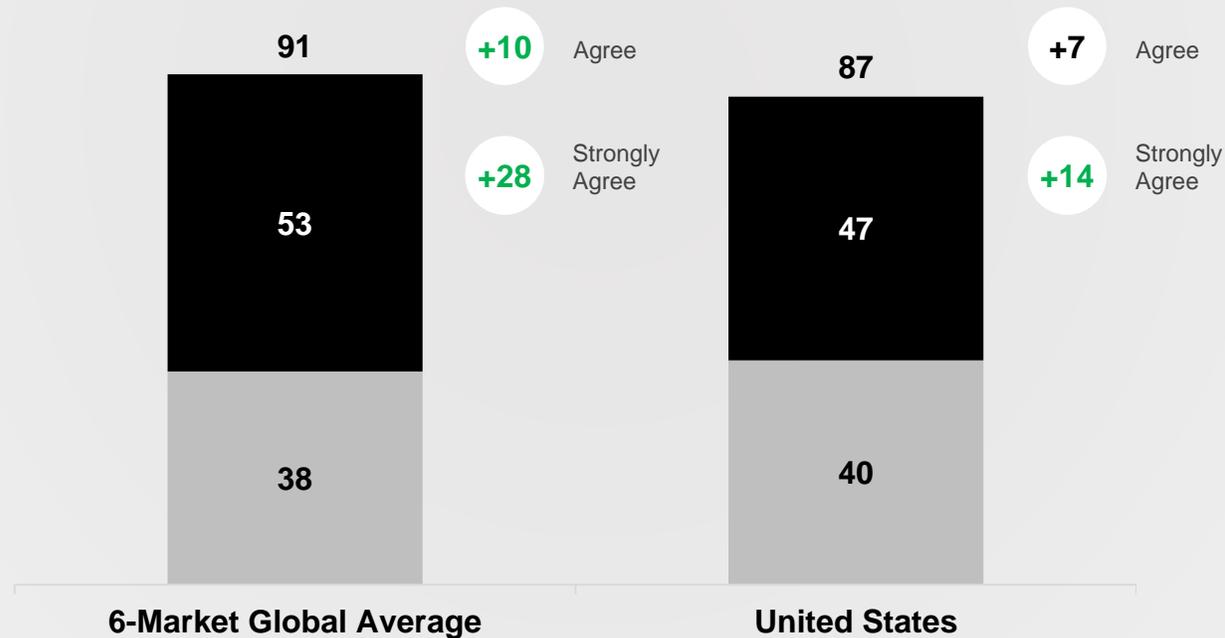
Edelman Trust Barometer Special Report: Institutional Investors
Q7. Please indicate the extent to which you agree or disagree with the following statements regarding shareholder activism. Shown T2B Agree. United States n=100

MORE INVESTORS TURNING TO EXECUTIVE'S SOCIAL MEDIA

Percent who agree

■ Somewhat Agree ■ Strongly Agree

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



9 in 10 Investors also consult a company's social media channels, a **+8pt** increase among the 6-Market Global Average

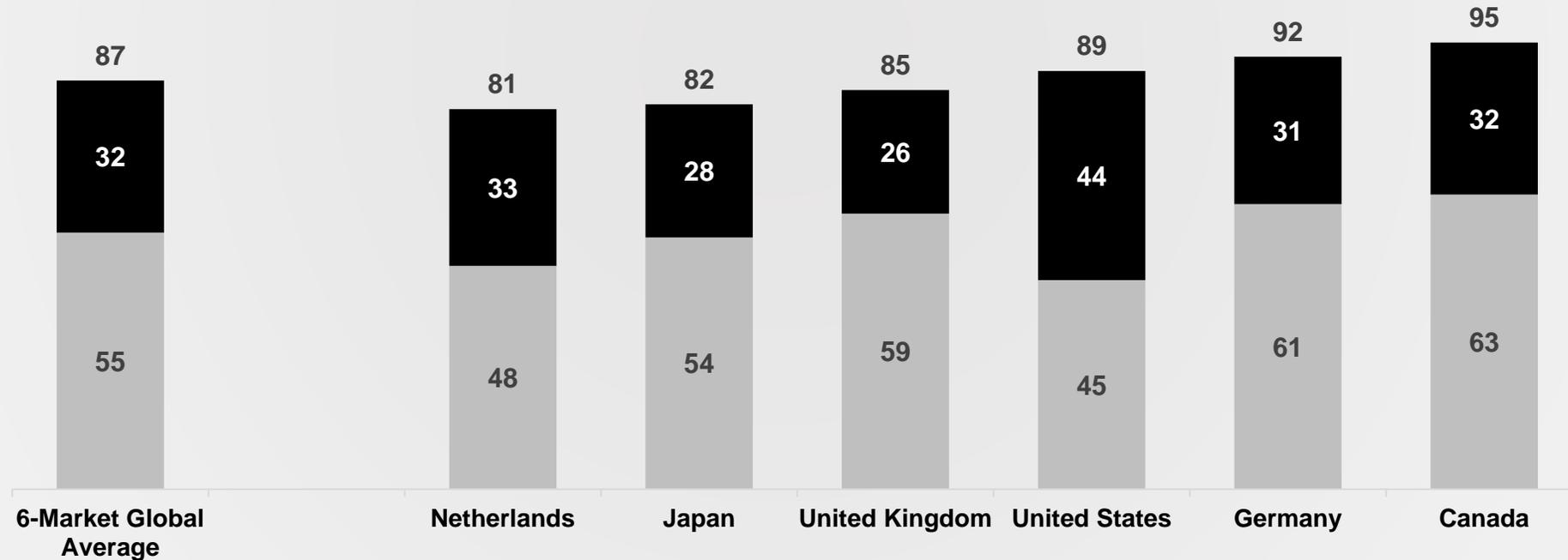
STRONG INVESTOR INTEREST IN IPOS DESPITE THE PANDEMIC

Percent who agree among U.S. investors

■ Somewhat Agree ■ Strongly Agree

Perceptions of COVID-19 on IPO Investment Strategy

“My firm is interested in increasing its investments in newly public companies in the current market environment”



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Q26. Please indicate the extent to which you agree or disagree with the following statements. Shown T2B Agree. 6-Market Global Average n=600; United States n=100;

Canada n=100; Germany n=100; Netherlands n=100; United Kingdom n=100