



# 2019 EDELMAN TRUST BAROMETER

Special Report | Institutional Investors  
Canada Results

#TrustBarometer



# Institutional Investor Trust Report

---

Methodology

---

**N=607 Institutional Investors**

**Online quantitative study among**

U.S. n=104

U.K. n=100

Canada n=101

Germany n=100

Japan n=101

Netherlands n=101

**Fielded from August 30<sup>th</sup> to  
September 30<sup>th</sup>, 2019**

# Contents

---

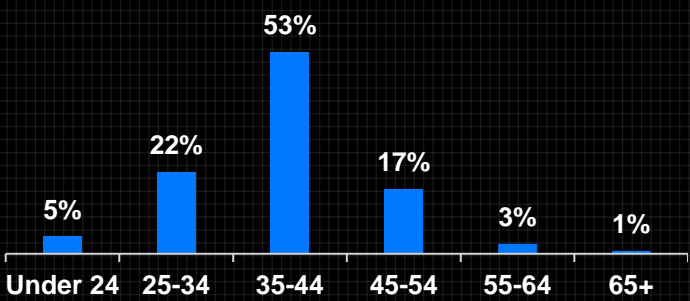
<b>Multi-Stakeholder Commitment Is the New Business Imperative</b>	<b>05</b>
<b>ESG is a Key Driver for Investor Trust</b>	<b>09</b>
<b>Without Trust, Beware of Multi-Stakeholder Activism</b>	<b>18</b>
<b>Key Takeaways</b>	<b>24</b>

# A Diverse Global Sample

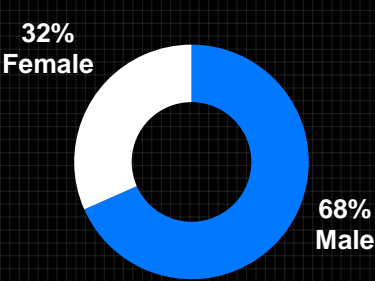
## Primary Investment Style

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

## Age



## Gender

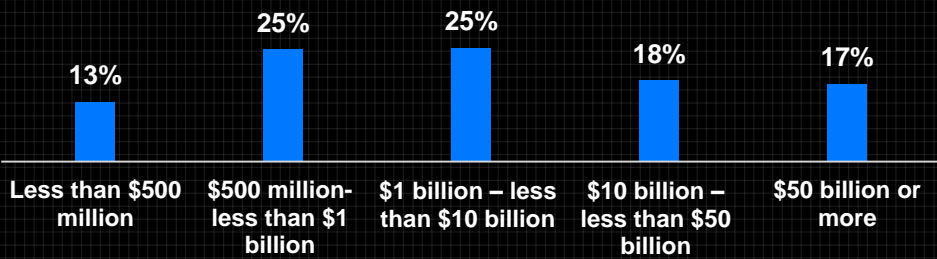


## Respondents' Job Titles

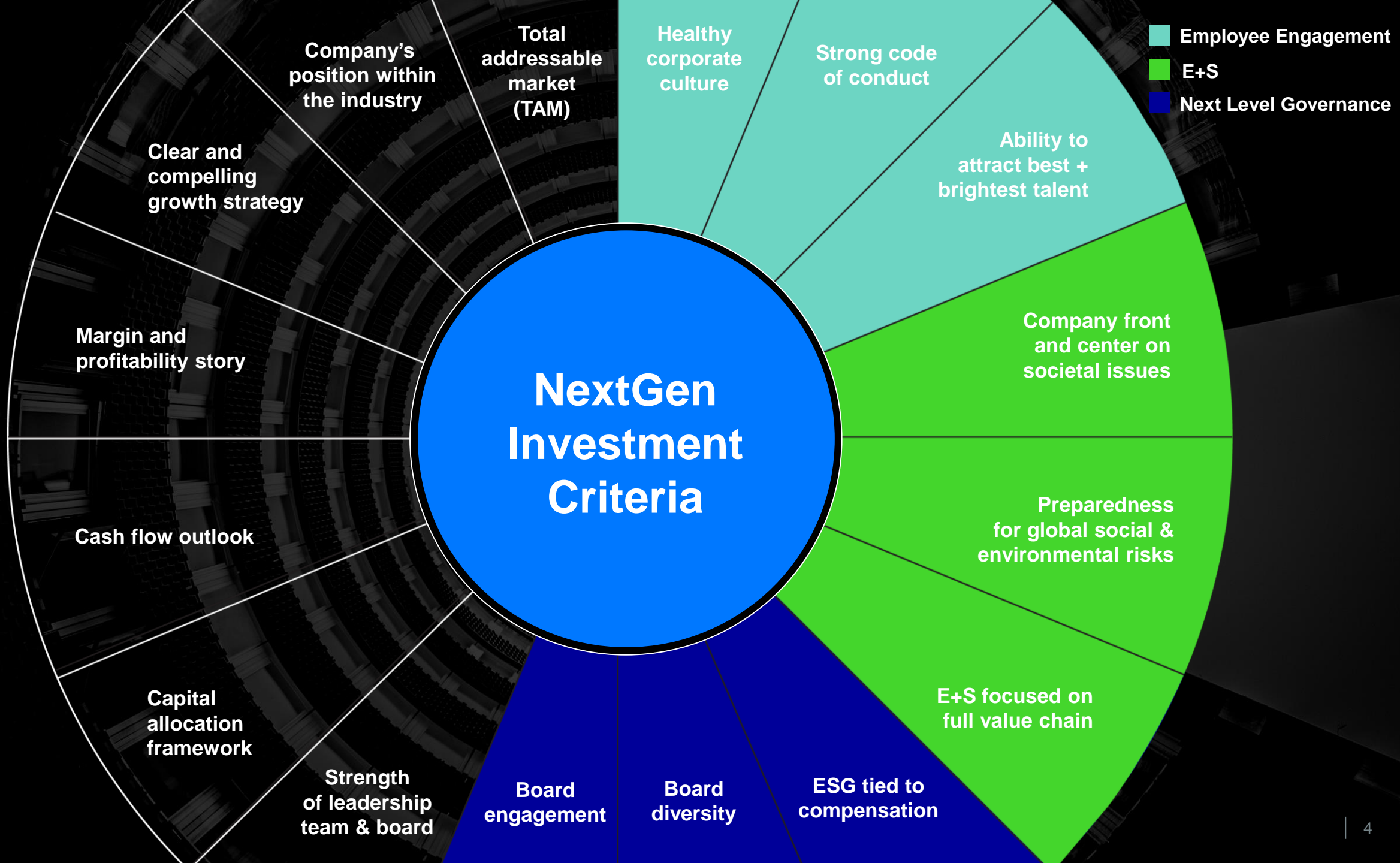


## Organizations' Assets Under Management

In USD



Edelman Trust Barometer Special Report: Institutional Investors  
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?



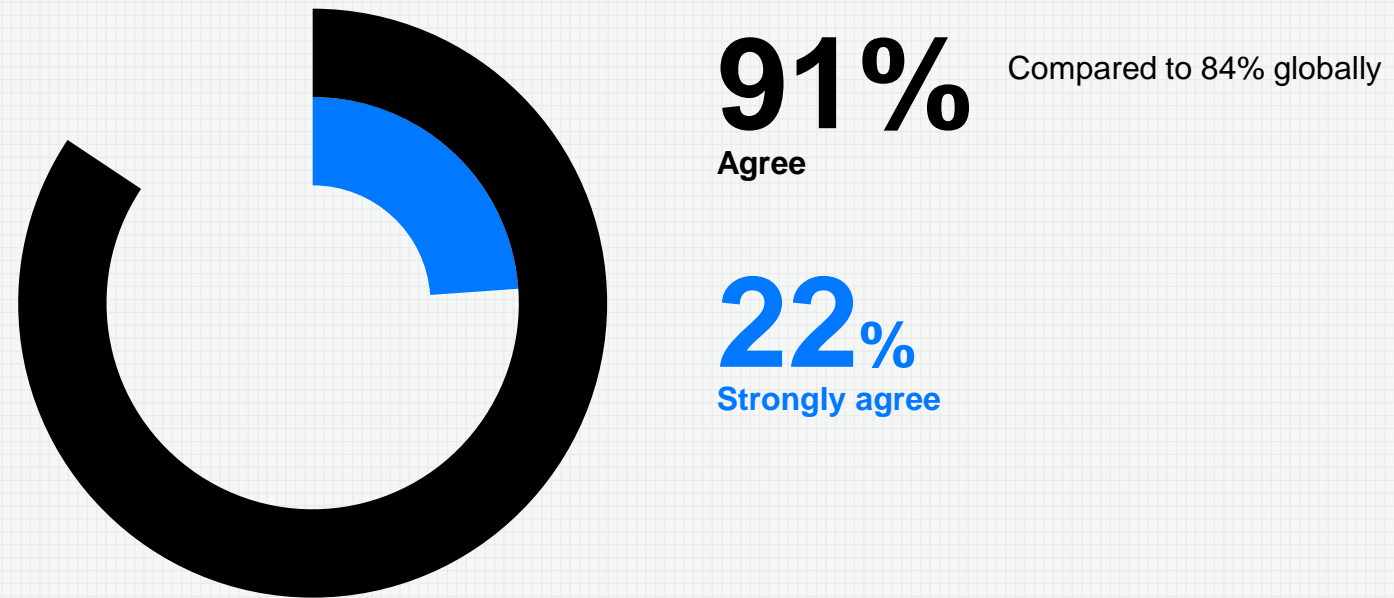


A black and white photograph of a modern office interior with large glass windows. Inside, several people are seated at long tables, and one person is standing near a whiteboard, possibly giving a presentation. The scene is overlaid with a series of blue, wavy, concentric lines that create a sense of motion and connectivity. The text is centered over the image.

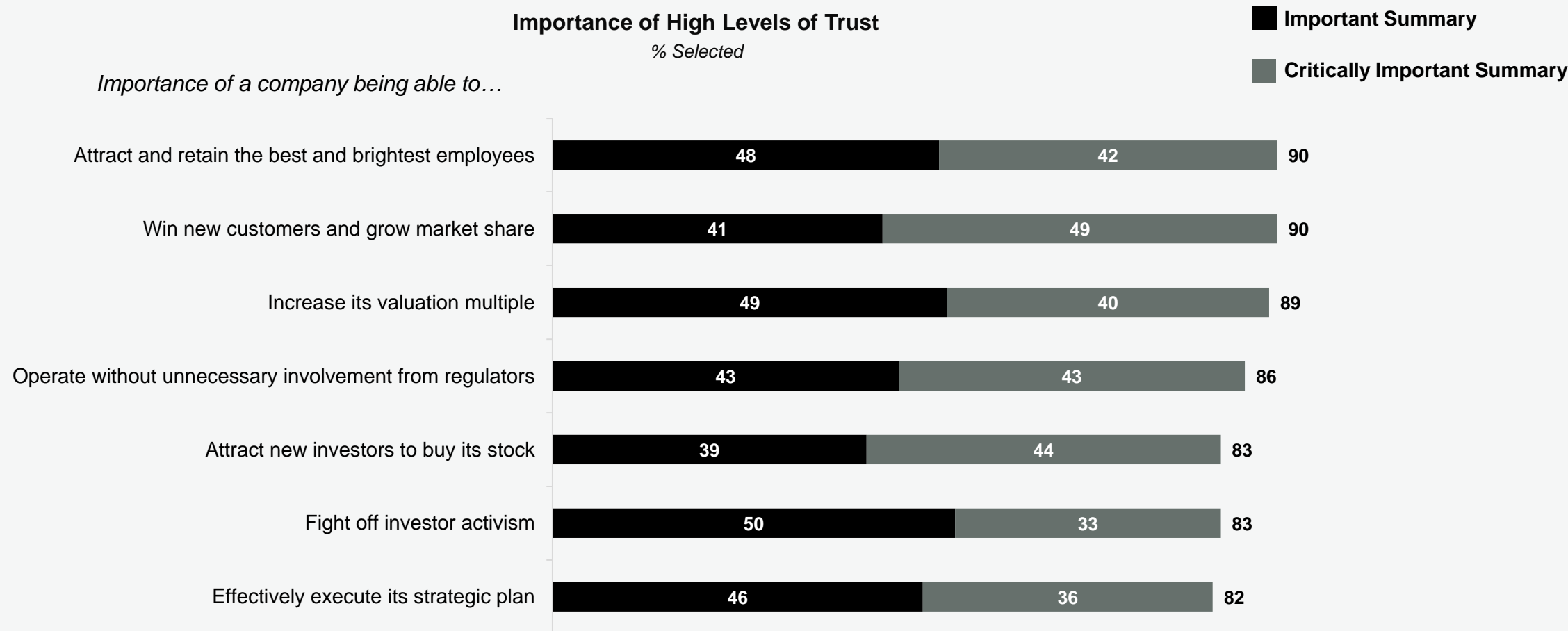
# **Multi-Stakeholder Commitment is the New Business Imperative**

# Investors agree that corporations need to have multi-stakeholder commitment

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



# Building trust is key to a multi-stakeholder strategy



Edelman Trust Barometer Special Report: Institutional Investors  
Q2b: Using the scale below, please rate how important it is that a company has a high level of trust when it comes to each of the following.

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





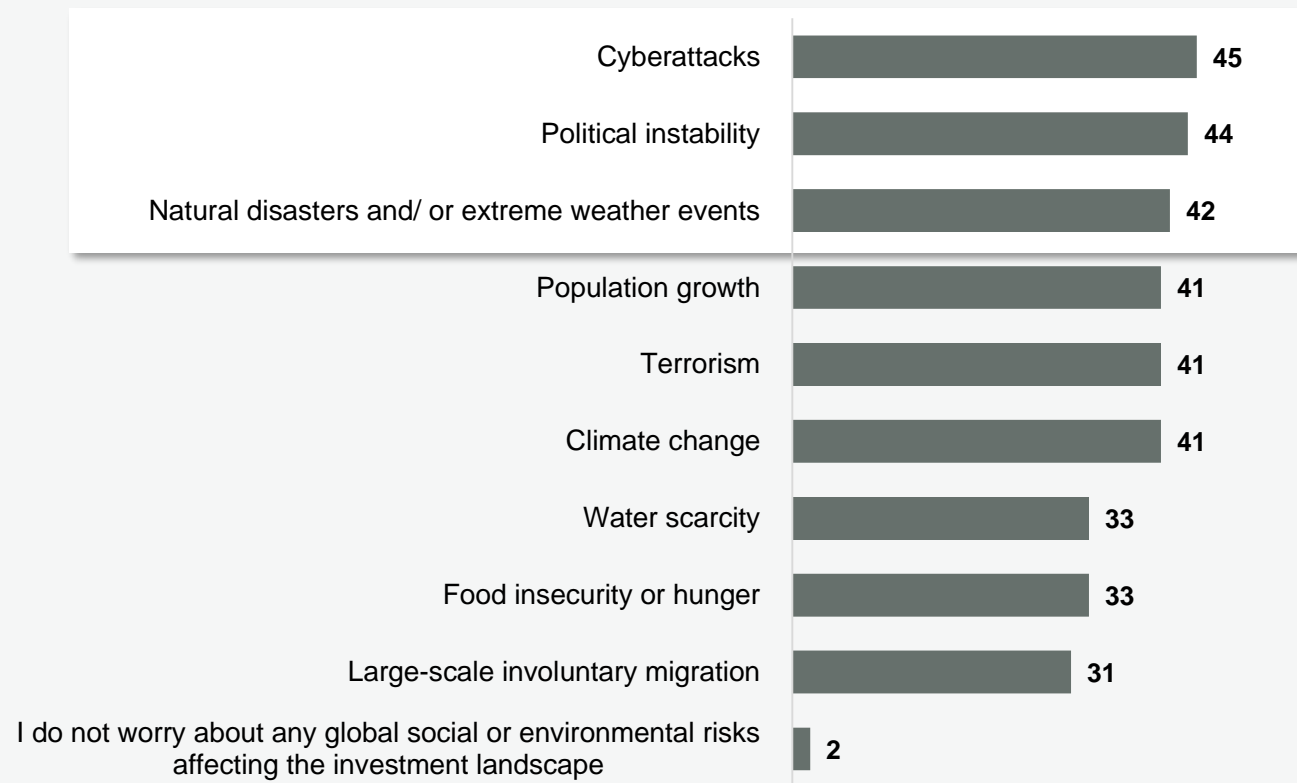


# ESG Disclosure is a Key Driver for Investor Trust

# Cyberattacks, political instability and natural disasters are top risks expected to impact investment landscape in next 5 years

## Top Risks That Will Affect Investment Landscape Within 5 Years

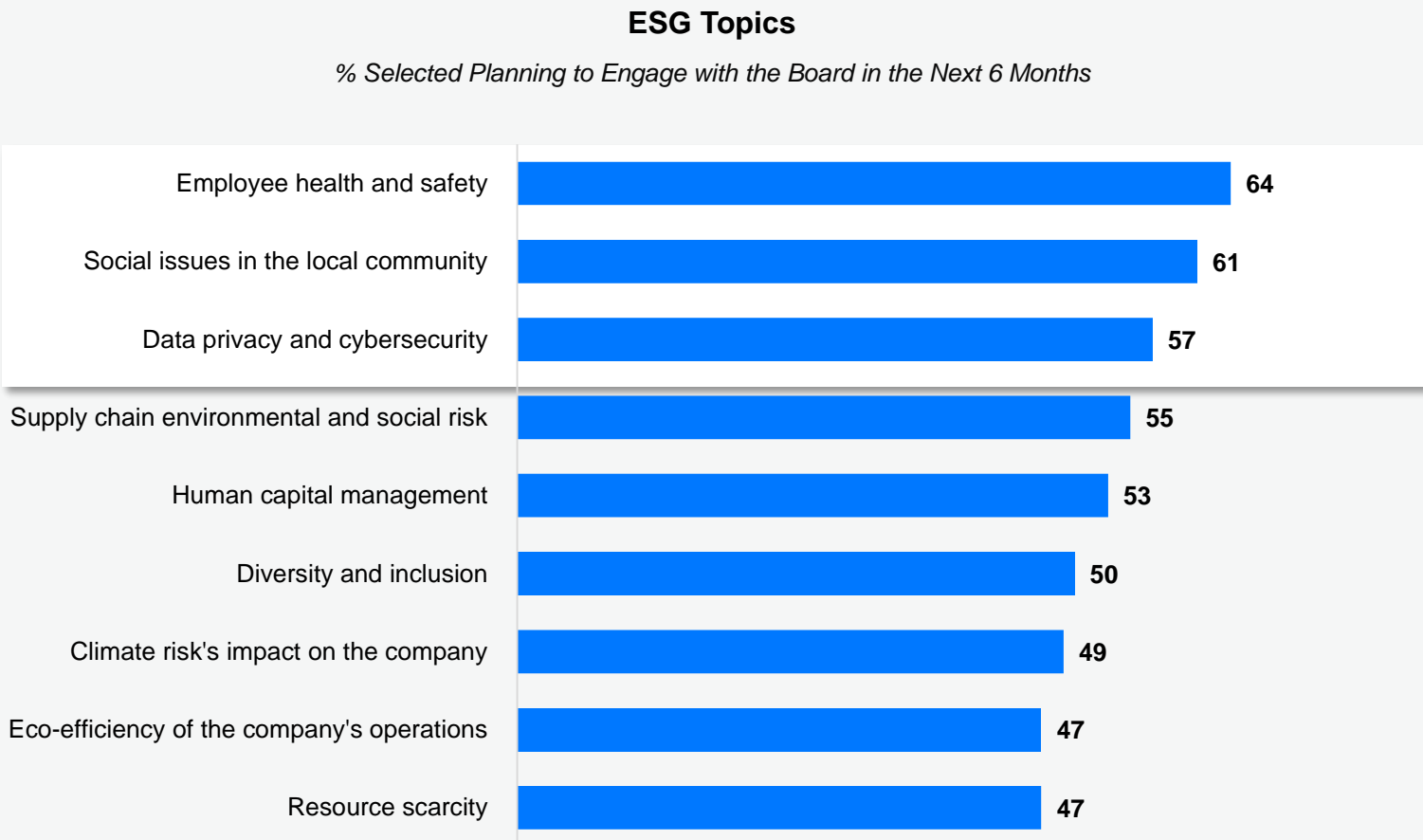
*% Selected*



Edelman Trust Barometer Special Report: Institutional Investors

Q27: Which of the following do you see as the top global social and environmental risks that you think will affect the investment landscape in the next 5 years?

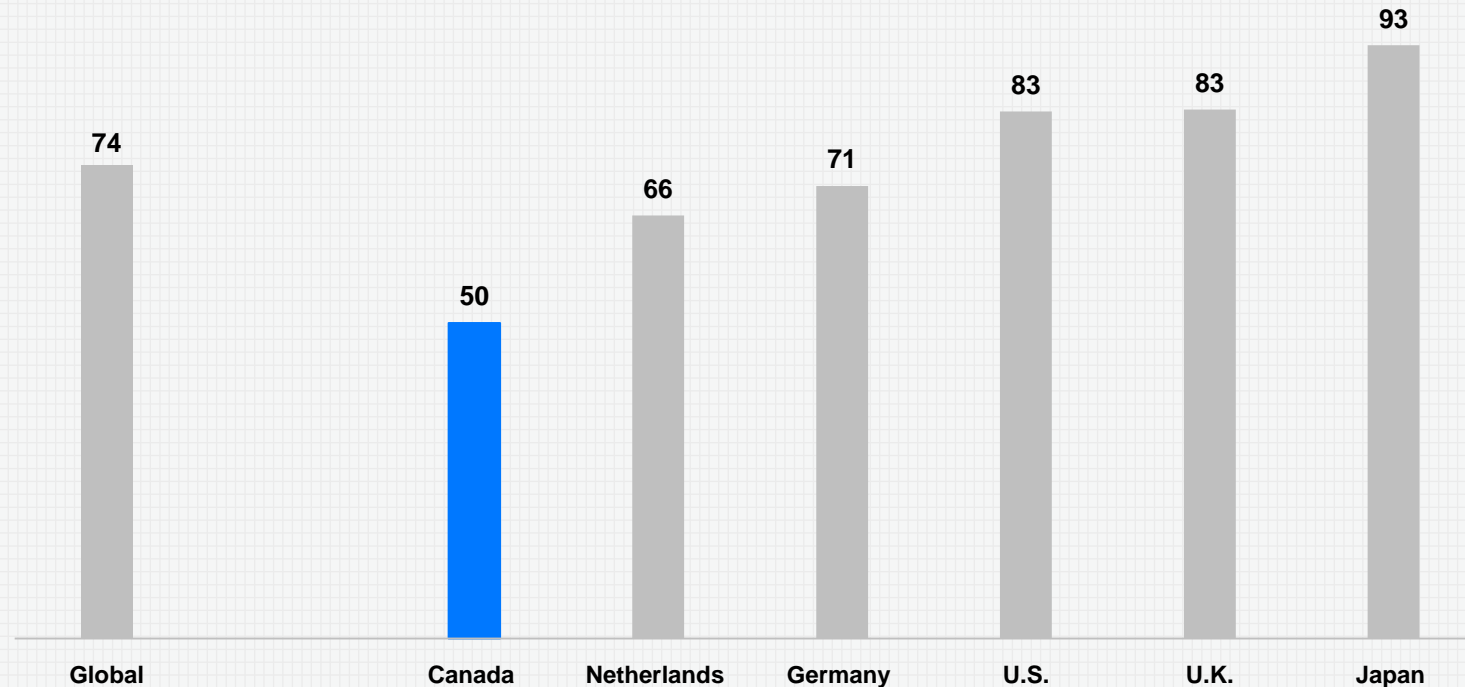
# Employee health, social issues and cybersecurity are among top priorities for Canadian investors



# Canadian investors are less likely to consider E+S impact across the full value chain

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

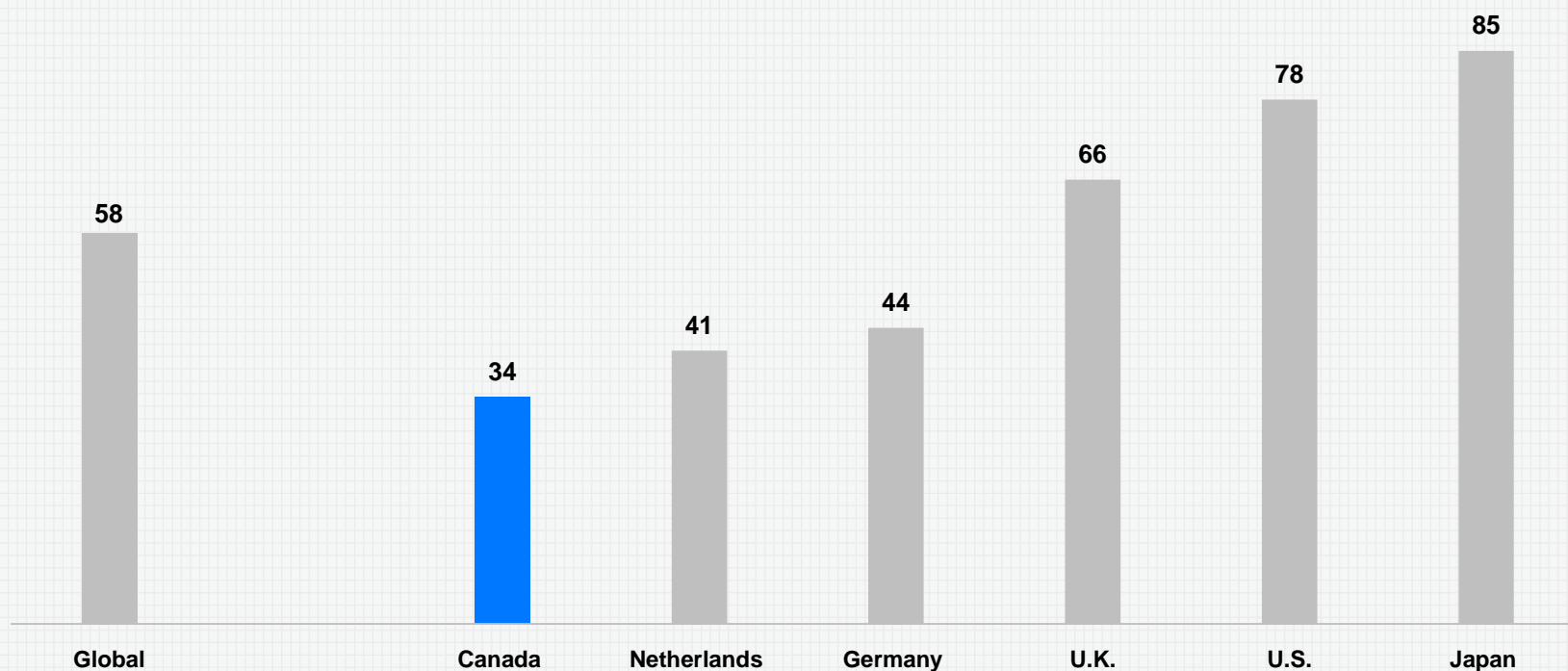
*% Selected Yes*





# ESG disclosure cannot mask operational performance issues

**Positive Correlation Between Operational Performance and ESG Disclosure**  
*% Selected Yes*





# But Canadian investors are more willing to invest in and support ESG-excelling companies (if the underlying business is strong)

## Actions to be Attentive to ESG Risk

*% Selected*

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

**66%**

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

**60%**

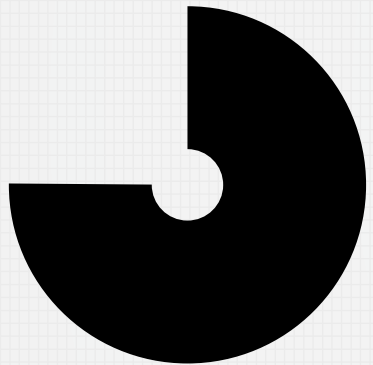
We vote our shares more often to support ESG-related policy initiatives

**54%**

# All three letters of ESG matter

---

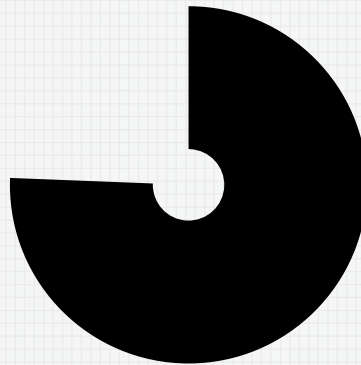
## Environmental practices



**73%**  
Important (T2B)

---

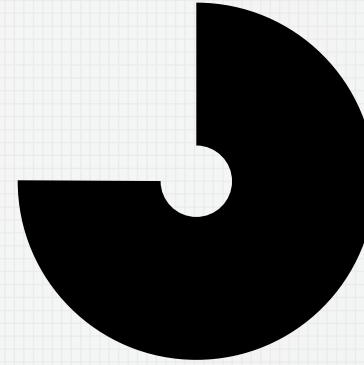
## Social practices



**72%**  
Important (T2B)

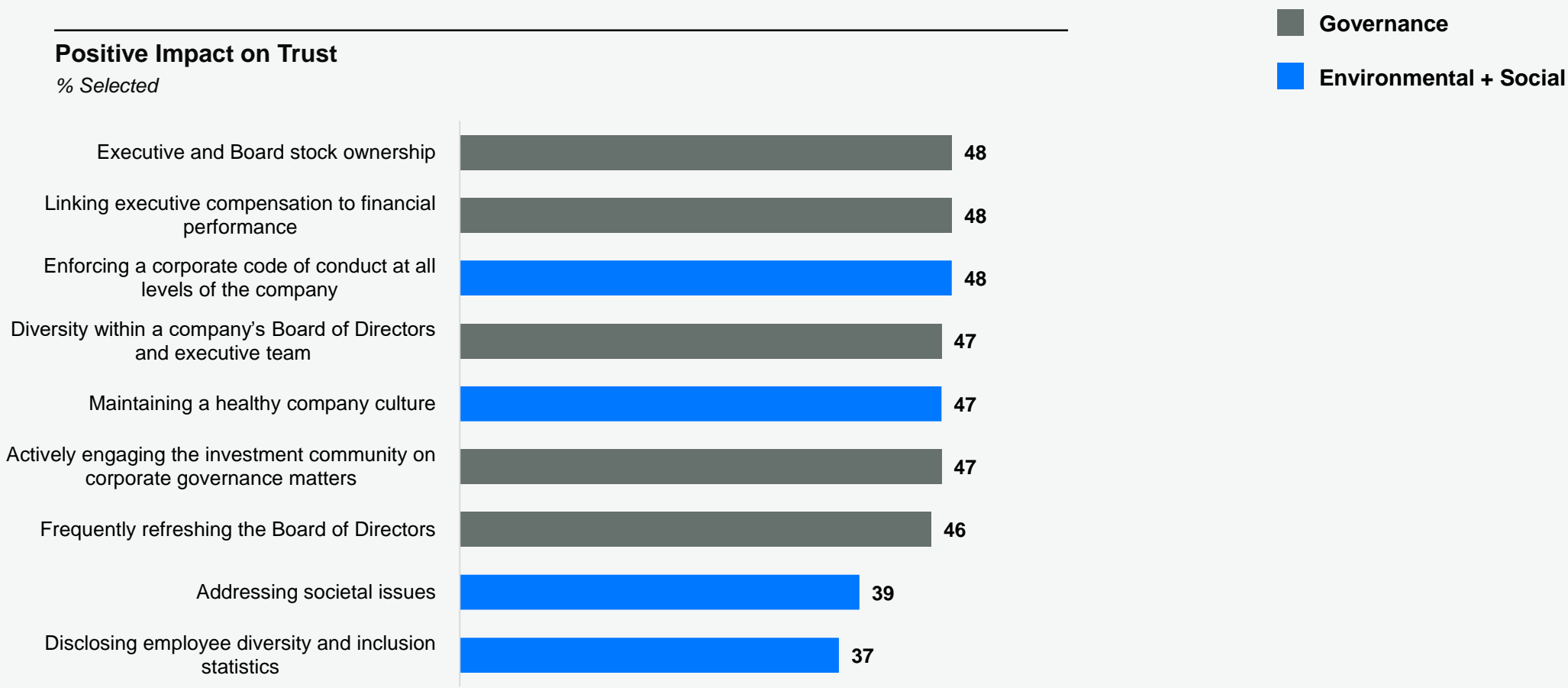
---

## Governance practices



**71%**  
Important (T2B)

# Important relationship between ESG practices and trust



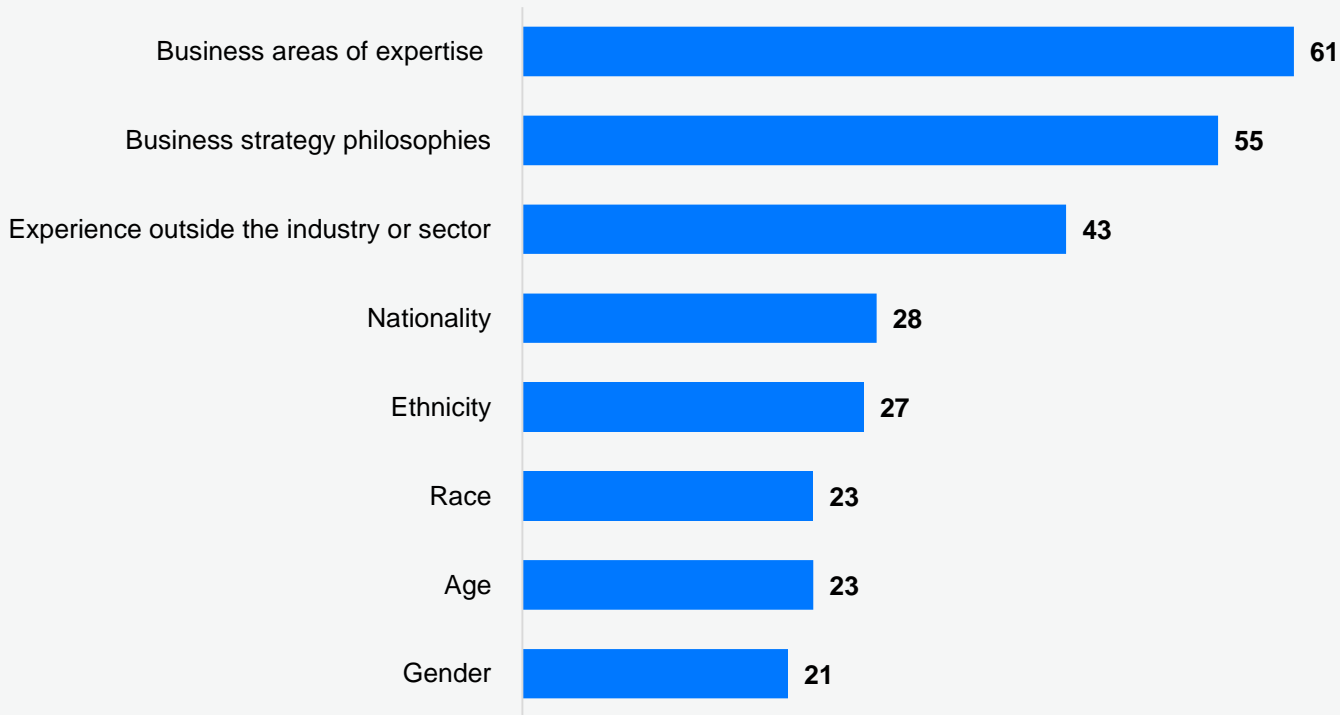
Edelman Trust Barometer Special Report: Institutional Investors  
Q3: How much do each of the following corporate behavioral practices positively impact your trust in a company that you are/may consider investing in or recommending?  
For each one, please indicate the level of impact using a 9-point scale where 1 means “no positive impact on trust” and 9 means “a great deal of positive impact on trust.” Top 2  
Q5: How much does each of the following corporate governance practices positively impact your trust in a company that you are/may consider investing in or recommending?  
For each one, please indicate the level of impact using a 9-point scale where 1 means “no positive impact on trust” and 9 means “a great deal of positive impact on trust.”

# Investors believe Board diversity should be multi-dimensional

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

## Important Types of Diversity to Build Trust

*% Selected Top Three*



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?

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

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

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



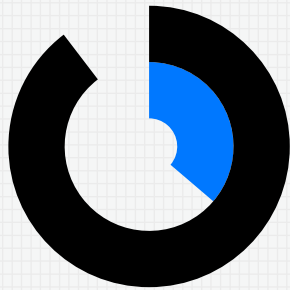


# Without Trust, Beware of Multi-Stakeholder Activism



# Shareholder activism is alive and well

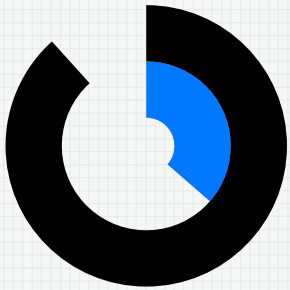
I will support a reputable activist investor if I believe change is necessary at a company I invest in or recommend investing



**86%**  
Agree

**28%**  
Strongly Agree

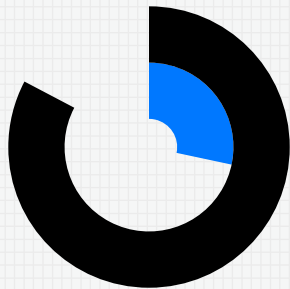
I believe my firm's actions can have a meaningful role in influencing a company's operating performance



**86%**  
Agree

**44%**  
Strongly Agree

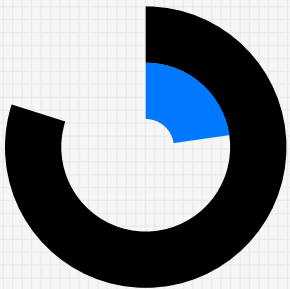
In general, as a firm, we are more interested in taking an activist approach to investing



**79%**  
Agree

**25%**  
Strongly Agree

Most companies are not prepared to handle activist campaigns



**80%**  
Agree

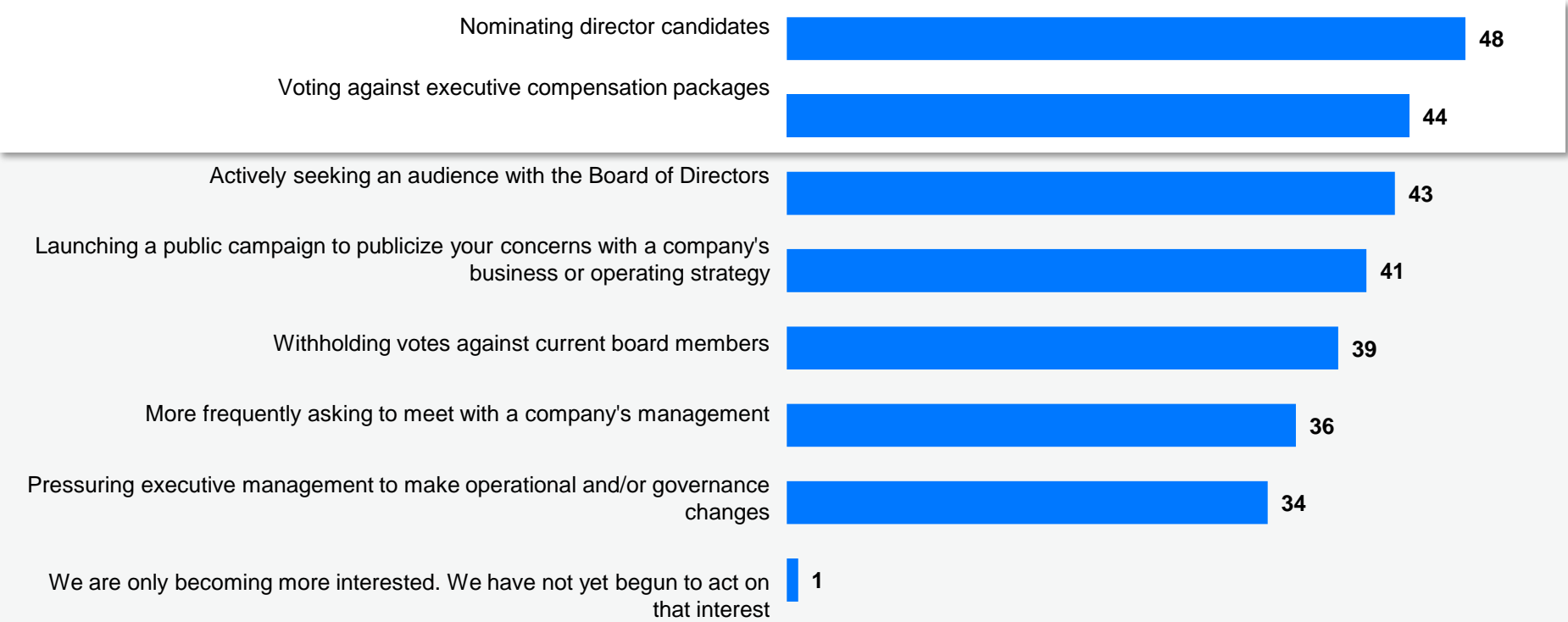
**20%**  
Strongly Agree

Edelman Trust Barometer Special Report: Institutional Investors  
Q7: Please indicate the extent to which you disagree or agree with the following statements regarding shareholder activism.

# Board composition and executive compensation packages are key drivers of activist activity

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

Ways Firms are Taking an Activist Approach

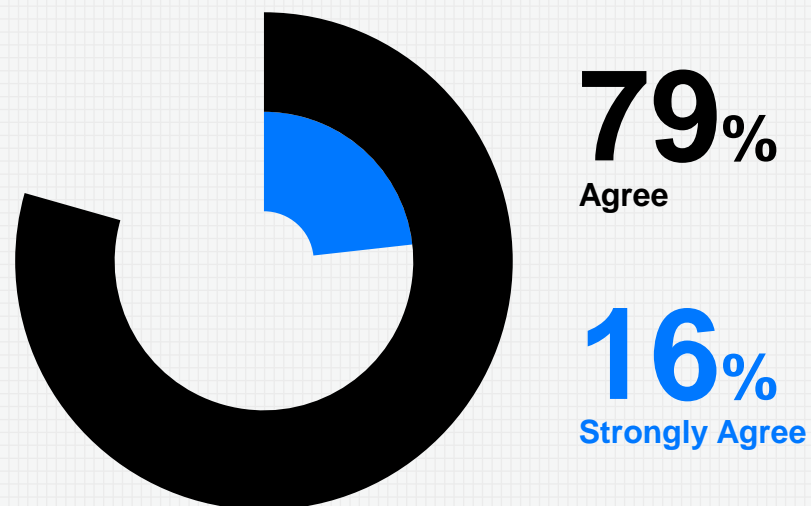


**81%**  
of investors must trust a company's Board of Directors before making or recommending an investment

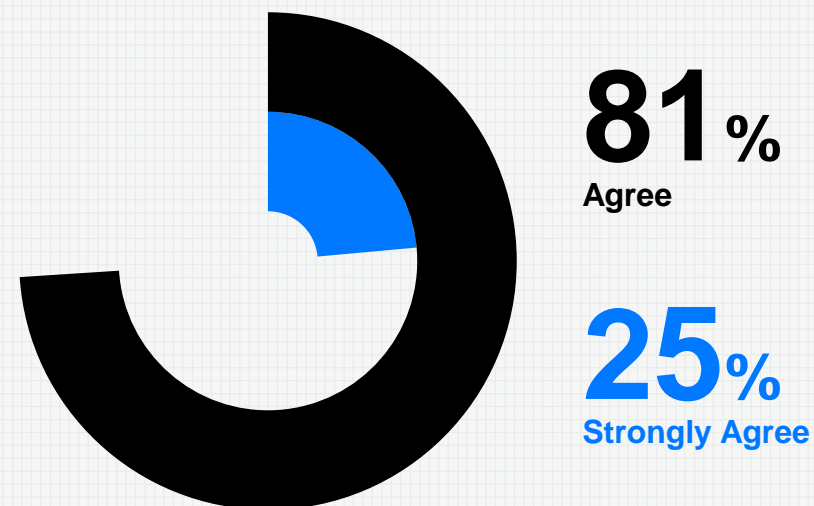
Edelman Trust Barometer Special Report: Institutional Investors  
Q9: You just indicated that your firm is more interested in taking an activist approach to investing. Specifically, in what ways is your firm being more activist in its approach to investing?  
Q2: Please indicate the extent to which you agree or disagree with the following statements.

# Employee activism makes a company a less attractive investment

Most companies are not prepared for employee activism



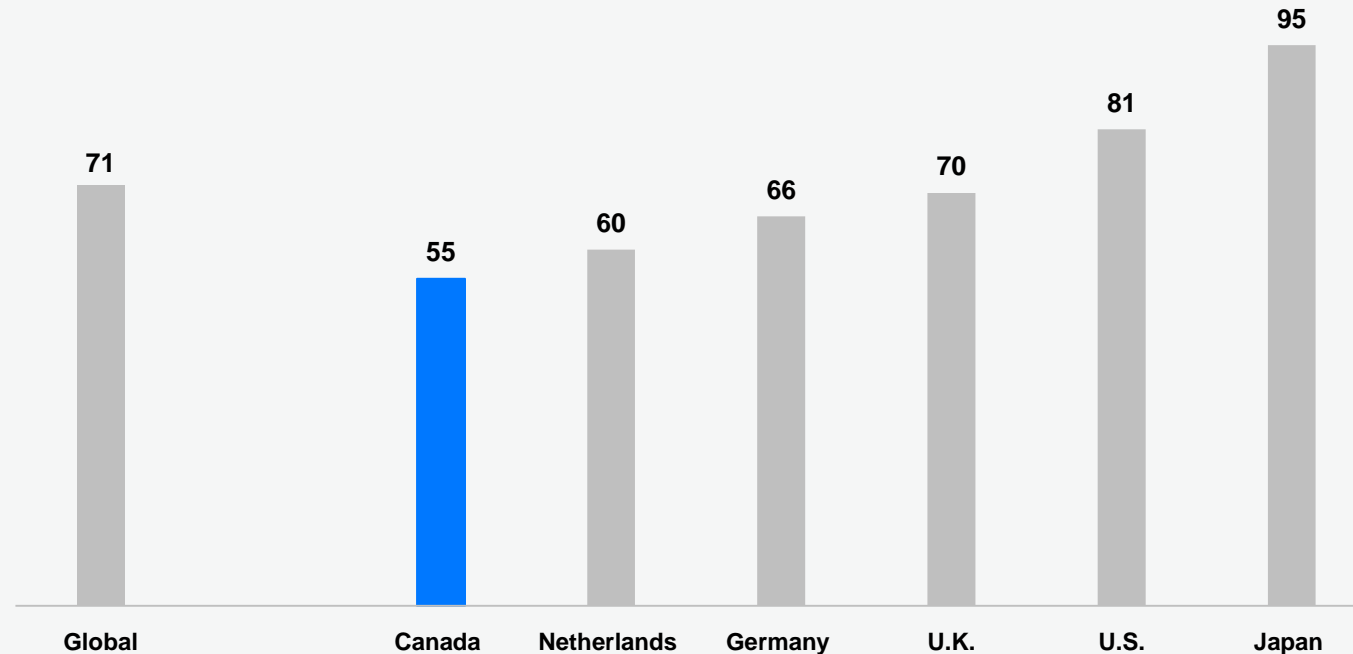
Companies with activist employees are less attractive investments



# Canadian investors torn about downside of overemphasizing shareholder returns

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

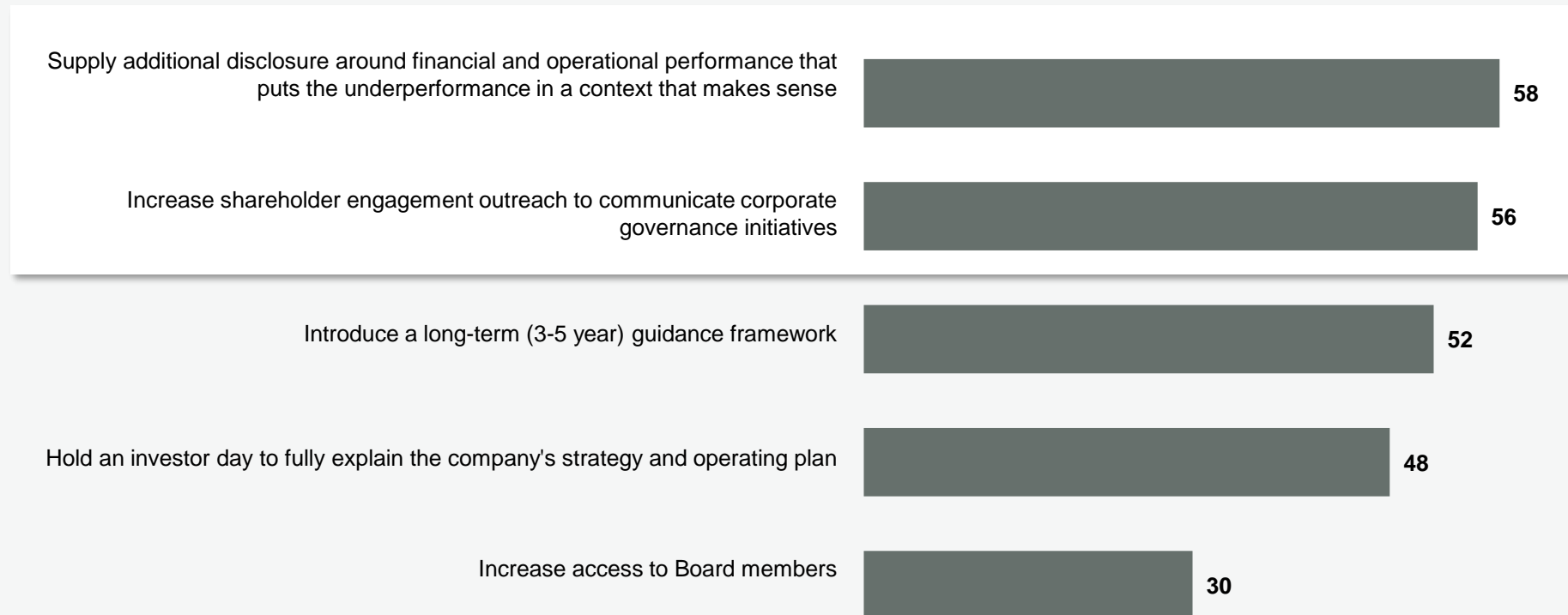
*% Selected Yes*



# Increased transparency and shareholder engagement can help to maintain trust

## Communication Tactics to Maintain Trust

*% Selected*



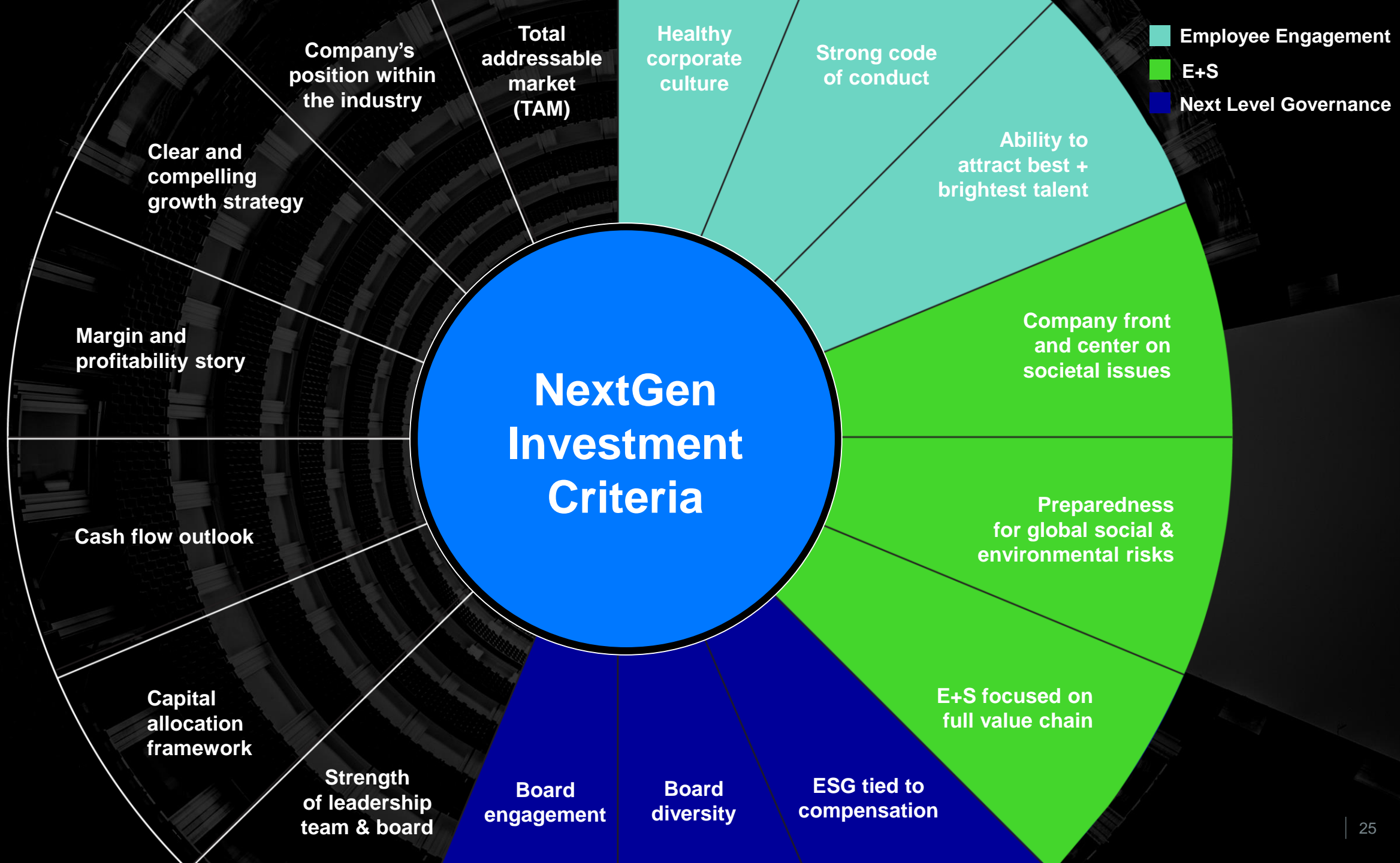
Edelman Trust Barometer Special Report: Institutional Investors

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



# Key Takeaways

1. End of shareholder primacy: Multi-stakeholder commitment is the new business imperative
2. Leadership is under the microscope like never before, and considered tools for activism
3. ESG performance is an investment catalyst when operational indicators are healthy
4. People are at the very heart of Canadian institutional investing





[www.edelman.ca](http://www.edelman.ca)



# For more information

**Edelman Canada Financial Communications**

Nina Godard

[nina.godard@edelman.com](mailto:nina.godard@edelman.com)